Contents

Introduction ........................................................................................................................................... 7
Main Key Players in the Business Environment in Palestine ................................................................. 7

COUNTRY PROFILE .......................................................................................................................... 10
Why invest in Palestine .......................................................................................................................... 10
The National Export Strategy ............................................................................................................... 11
Palestine at a Glance .............................................................................................................................. 12

Area ..................................................................................................................................................... 12

Administrative Divisions and Demographics ......................................................................................... 12
Population Within Administrative Divisions (2013) .............................................................................. 13

Language ................................................................................................................................................ 14

Religion .................................................................................................................................................. 14

Currency ................................................................................................................................................ 14

Climate .................................................................................................................................................. 14

Business Culture .................................................................................................................................. 14

Economy ................................................................................................................................................ 16

Importing and Exporting from Palestine ................................................................................................. 18

Import Procedures .................................................................................................................................. 18

Obtaining Foreign Trade Dealing Registration (Number Password) ....................................................... 18

Documents and Procedures for obtaining “Foreign Trade Dealing” registration ........................................ 18
Documents required .................................................................................................................................. 18
Procedures................................................................................................................................................ 19

Import Licenses ..................................................................................................................................... 19

Procedures................................................................................................................................................ 20

Export Procedures ................................................................................................................................... 21

Legal Business Structure ....................................................................................................................... 22

Legal Environment ............................................................................................................................... 22

Company Registration of Doing Business Entities ................................................................................. 22

Companies according to the Applicable Law in the West Bank ............................................................... 22
Regular Companies .................................................................................................................................. 23
Regular Limited Liability Company ......................................................................................................... 23
Shareholding Companies ......................................................................................................................... 23
Foreign Companies ................................................................................................................................. 24

Companies according to the Applicable Law in the Gaza Strip ............................................................... 24
Limited Shareholding Company .............................................................................................................. 24
Limited Liability Company .................................................................................................................... 24
Unlimited Company ................................................................................................................................. 24

Cost of Doing Business .......................................................................................................................... 26

Labor and Employment ......................................................................................................................... 26

Labor Law ................................................................................................................................................ 26

Labor Quality and Availability ............................................................................................................... 26

Labor Costs .............................................................................................................................................. 27

Labor Force Characteristics in Palestine ................................................................................................. 27
Average Weekly Work Hours, Monthly Work Days and Daily Wage in NIS for Wage Employees By Economic Activity, 2013 .......................................................... 27
Employment of women ........................................................................... 28
Temporary work contracts ..................................................................... 28
Labor Disputes ......................................................................................... 28
Working Hours ......................................................................................... 29
Holidays ...................................................................................................... 29
Wages ......................................................................................................... 29
Health and Safety ..................................................................................... 29
Juvenile Work .......................................................................................... 29
Special Employment Offices ................................................................... 29
Cost of Production Inputs ....................................................................... 30
Cost of energy .......................................................................................... 30
Electricity for Industrial Usage (NIS/kilowatt/hour) .......................... 30
Natural gas cost (NIS per Kg) ............................................................... 30
Gasoline cost (NIS per liter) ................................................................. 30
Cost of industrial water (NIS per m³) ..................................................... 30
Cost of transport to ports (sending/receiving) ....................................... 31
Costs of Transportation incurred on both Israeli and Jordanian sides ........................................... 31
Costs at Israeli side ................................................................................. 31
Costs at the Jordanian Side .................................................................... 31
Health Insurance ...................................................................................... 32
Cost of Doing Business in Brief ............................................................ 32
Starting Your Business ......................................................................... 34
Company registration ............................................................................... 34
Registration at the Ministry of National Economy ............................ 34
Public and Private Shareholding Companies ...................................... 34
Ordinary Companies ............................................................................... 34
Foreign Shareholding Companies ....................................................... 35
Requirements for the Modification of a Company Registration ............ 35
Registration at the income tax and VAT departments ....................... 35
Registration at the chamber of commerce .......................................... 36
Obtaining approval from the Directorate of civil defense ..................... 36
Regulatory environment ....................................................................... 37
Competition and Intellectual Property ............................................... 37
Trademarks and Trade Names ............................................................... 37
Patents and Utility Models ................................................................. 37
Copyrights ............................................................................................... 38
Publishing Rights ................................................................................... 38
Agency agreements ............................................................................... 38
Types of Agents ..................................................................................... 38
Commercial Agent ............................................................................... 38
Commercial Agency ............................................................................. 39
Requirements and Procedures for Registration of Agents ........................ 39
Registration application.................................................................................................................. 39
Requirements for the Registration of Agencies ............................................................................. 39

Banking and Finance .......................................................................................................................... 41
Banks ................................................................................................................................................ 41

Palestinian Monetary Authority (PMA) ............................................................................................. 42
Economic Sectors in Palestine .............................................................................................................. 43

Industrial Sector ................................................................................................................................. 43
Leather and Shoe Industry .................................................................................................................. 43
Handicrafts .......................................................................................................................................... 43
Stone and Marble ............................................................................................................................... 45
Metal and Engineering ....................................................................................................................... 46
Chemical Industry ............................................................................................................................... 46
Plastics ................................................................................................................................................ 47
Paper Industry ..................................................................................................................................... 47
Textile and Garment ........................................................................................................................... 48
Pharmaceuticals .................................................................................................................................. 49
Veterinary Industry .............................................................................................................................. 49
Food & Beverage ............................................................................................................................... 50

Agricultural Sector ............................................................................................................................. 51
Climate & Geography & Agriculture ................................................................................................. 51
Sales and Market Share ...................................................................................................................... 51
Local and International Markets ......................................................................................................... 52

Services Sector .................................................................................................................................... 52
Construction ........................................................................................................................................ 52

Information Communication Technology Sector ............................................................................. 53
Types of IT Companies represented .................................................................................................. 53
Palestinian Information Technology Association of Companies (PITA) .............................................. 54
The Palestine Information and Communications Technology Incubator (PICTI) ............................ 54
Tourism sector ..................................................................................................................................... 55
Tourism Sub-Sectors ........................................................................................................................... 55
Health Sector ....................................................................................................................................... 55
Education Sector .................................................................................................................................. 56
Organizational Structure of Palestinian Education ............................................................................... 56
Governance of Educational Institutions ............................................................................................ 56
Economic opportunities per sector ...................................................................................................... 57

The Construction Sector .................................................................................................................... 57
The Agricultural Sector ....................................................................................................................... 57
The Manufacturing Sector .................................................................................................................. 58
The Tourism Sector ............................................................................................................................ 58
The Information and Communication Technology Sector ................................................................ 58
Education Sector ............................................................................................................................... 59
Health Sector ....................................................................................................................................... 59

Business and investment environment ............................................................................................... 60

Investment incentives & Protection .................................................................................................... 60
The Investment Promotion Law ................................................................. 60
Multilateral investment Guarantee Agency (MIGA) ...................................... 61
Currency Inconvertibility and Transfer Restriction ....................................... 62
Expropriation .......................................................................................... 62
Political risk insurance ........................................................................... 62
The European Palestinian Credit Guarantee Fund (EPCGF) ................................ 62
The Loan Guarantee Facility (LGF) for SMEs .............................................. 62
Political Risk Insurance in Partnership with OPIC ....................................... 63
French Loan/Grant .................................................................................. 64
Italian Loan ............................................................................................ 64
Taxation .................................................................................................. 65
Corporate taxation: .................................................................................. 65
Withholding tax: ....................................................................................... 66
Personal taxation: ..................................................................................... 67
Other taxes on individuals: ......................................................................... 68
Administration and compliance: .............................................................. 68
Value added tax: ....................................................................................... 68
VAT Refunds ........................................................................................... 68
VAT Exemptions ....................................................................................... 69
Other Taxes ............................................................................................. 69
International Agreements .......................................................................... 69
Customs Union ........................................................................................ 69
Economic Agreement with Israel (Paris Protocol) ......................................... 69
Free Trade Agreements and Arrangements ............................................... 70
The Interim Association Agreement (IAA) with the European Union ............... 70
The Interim Agreement with the European Free Trade Association (EFTA) ....... 72
The Interim Association Agreement with Turkey .......................................... 72
Greater Arab Free Trade Area (GAFTA) ................................................... 72
Free Trade Agreements and Arrangements: USA and Canada ...................... 73
Free Trade Agreement with Mercosur ....................................................... 74
Introduction

Doing Business Guide – Palestine, was prepared by the Palestine Trade Center (PalTrade), which is nationally recognized as the Palestinian National Export Development Institution, and with generous funding from the Islamic Development Bank (IDB). PalTrade is well informed of the economic history of Palestine and the untapped potentials that can be utilized by establishing a successful business that meets the economic and social goals, while maintaining and supporting the development of the Palestinian economy.

This is the second edition of the Doing Business Guide – Palestine published by PalTrade. The first edition was prepared in 2012, and is intended to be an informational tool and a source of reference for anyone interested in the Palestinian economy and in doing business in Palestine. Throughout the eleven chapters, the guide will present detailed information about Palestine, economic information, international agreements that Palestine has signed with trade partners and the various productive sectors and the potential of each.

All information provided by this guide was taken from credible local and international sources such as the Ministry of National Economy (MONE), The Palestinian Central Bureau of Statistics (PCBS), The Palestine Investment Promotion Agency (PIPA), The World Bank and International Monetary Fund (IMF) and others, and is presented in a cohesive and interrelated way that allows the reader to understand the current standing of the economy of Palestine and the potentials that can be unleashed through well targeted investments or projects.

Main Key Players in the Business Environment in Palestine

MoNE – The Palestinian Ministry of National Economy provides investors and private sector with qualified services such as facilitating trade, protecting investors, building bridges of corporation between regional and international organizations, in addition to preferential trade agreements for private sector sake, also help to expand global trade relations.

MoF – The Palestinian Ministry of Finance operates according to a system that measures up to the highest international standards in terms of integrity, transparency and accountability. Moreover, the ministry is responsible for regulating all fiscal issues relevant to direct and indirect taxation, including the implementation of investment incentives.

MoH – The Palestinian Ministry of health is considered the public institution that oversees all issues related to Health starting from setting the health standards and procedures and issuing the required certificates for exported or imported products.

MoA – The Palestinian Ministry of Agriculture is the public institute responsible for the regulation of the agriculture sector in Palestine. Its responsibilities include, but are not limited to, preparing the needed primary and secondary legislation to regulate the sector, issuing the needed certificates, including Sanitary and Phytosanitary for export of Agricultural goods and improving the competitive advantage of Palestinian products.

MTIT – Ministry of Telecommunication and Information Technology is the main regulator of the IT sector in Palestine and its main goals are to develop the sector infrastructure to
facilitate the work of the companies working in the sector, and to provide regulation for the sector.

**PIPA** – Palestinian Investment Promotion Agency is a governmental autonomous non-ministerial institution that is mandated to support investors, encourage them and support their investment in Palestine with guarantees, procedures and incentives. PIPA’s main duties are identified in the Investment Promotion Law.

**PALTRADE** – Palestine Trade Center is a private non-profit institution, which was founded to serve the development of national exports through trade promotion and capacity building, and to lead in the advocacy of a competitive business enabling environment. PalTrade’s services are guided by sector-based strategies for export development supported by assessment of cross-sectoral opportunities and impediments. These strategies are deployed through a range of services and activities aimed at vitalizing productive sectors to export to international markets.

**FPCCIA** - The Federation Of Palestinian Chambers Of Commerce, Industry And Agriculture was established in 1989 in Jerusalem as the umbrella organization for all chambers (Jerusalem Chamber was established in 1936. Most chambers were established during the 40s and 50s of the last century) in the West Bank and Gaza, as a legal and autonomous body representing the interest of all chambers and the private sector. Its mandate is derived from the chambers’ law, which defines the legal boundaries for the federation’s operations, and the decisions made by its council that are approved by the general assembly.

**PFI** - The Palestinian Federation of Industries (PFI) is the national institution representing the Palestinian industrial sector through its federated associations. Founded in 1999 as a permanent private sector organization, PFI facilitates industrial development as the basis for economic performance. PFI’s representational role is to educate, advocate, and communicate the value of a developed, socially-responsible and globally competitive industry. PFI’s strategy of industrial development within industry associations leads to a stronger membership base capable of delivering valuable services to its members, effective policy formulation, and integrated communications.

**PITA** - The Palestinian Information Technology Association of Companies represents more than 150 major Information and Communication Technology (ICT) companies in Palestine’s emerging technology and startup ecosystem. PITA has become the driving force in advancing the ICT sector’s interests, and leading information source about this sector in Palestine. Based in Ramallah, PITA was founded in 1999 by a group of Palestinian entrepreneurs with the vision of creating a non-profit organization to advance the interests and positive societal impact of Palestine’s ICT sector.

**PCBS** – Palestinian Central Bureau of Statistics

PCBS was established in 1993 with the mandate of being the official institution in Palestine to provide statistics. It carried out its first full census of the West Bank and Gaza Strip in 1997. PCBS was able to arrange Palestinian voter registration for the Palestinian general election in 1996. It provides regular and accurate statistics on trade, price indexing, social and economic data and other information. PCBS also provides statistics tailored to the particular issues faced by Palestinians in the West Bank and Gaza Strip, such as labor statistics, services data and others.
PSI – Palestinian Standards Institute is Palestine’s standards organization and contact point to global quality infrastructure. PSI provides access to national and global standards, accredited testing facilities, calibration services, and certification. PSI facilitates trade and investment in Palestine by meeting the needs of business and industry for metrology, standards, conformity assessment and quality. PSI advances citizen health and safety and the protection of the environment. Founded in 1994, PSI is headquartered in Ramallah, with offices in Gaza, Hebron, Nablus and Jericho.

PMA – The Palestine Monetary Authority (PMA) is an independent public institution responsible for the formulation and implementation of monetary and banking, policies, to safeguard the banking sector and ensure the growth of the national economy in a balanced manner. The PMA aims to maintain monetary and financial stability and to promote sustainable economic growth through: (1) Effective and transparent regulation and supervision of banks, specialized lending institutions and money changers operating in Palestine; (2) Overseeing the implementation and operation of modern, efficient payment systems and (3) Development and execution of monetary policy designed to achieve price stability. The PMA operates by an act of the Palestine Legislative Council PMA Law Number (2) of 1997, which outlined the full authority and autonomy of the PMA and the Banking Law Number 9 of 2010.

PCMA – Palestinian Capital Markets Authority has been entrusted with the juridical capacity, financial and administrative independence and legal competence to undertake all actions and activities ensuring the regulation of non-banking financial transactions within Palestine. The PCMA regulates financial transactions, including acquisition of movable and immovable property necessary for the conduct of business and the exercise of its activities in accordance with the provisions of the Capital Markets Authority Law. The authority has achieved tangible accomplishments in the sectors under its supervision, as it has been managing, overseeing and licensing all operations related to the securities sector, including public or secondary subscription, stock listing, capital appreciation or otherwise. The Authority has also achieved significant progress in the administration and reform of the insurance sector, which had suffered considerably in the past few years. The Authority is currently working on the completion of the legal and administrative environment regulating the sectors of mortgages, finance lease and non-banking financial activity.
**COUNTRY PROFILE**

*Why invest in Palestine*

Skilled labor, governmental policies that strongly encourage trade and investment, a strong partnership between the private and public sectors and various investment incentives, guarantees and investment insurance from local and international institutions for investors are all factors that make Palestine an attractive place for investment, especially if combined with the tremendous export opportunities presented through the extensive network of trade and economic agreements that give goods of Palestinian origin a highly competitive edge in a wide-ranging number of lucrative markets.

The Palestinian economy is a market-based economy, in which the private sector plays the leading role, with a supportive government that believes in partnership. Both the private and public sectors have agreed on an export-oriented and outward looking strategy utilizing the broad number of economic agreements and the implementation of international best practices and standards towards building the economy. The newly developed National Export Strategy has consolidated the policy directions of the Public and Private sectors with the partnership between the Ministry of National Economy and PalTrade, and the full participation of the private sector, thereby producing a roadmap of actions that need to be undertaken by the government and the private sector in order to reach export targets and facilitate the export process.

The Palestinian private sector has proven to be resilient over the years, with the ability to surmount all the limitations and restrictions that were created through a somewhat challenging political environment, as a result of the Israeli occupation. The private sector has always contributed with its innovation and ability to produce in the most difficult situations, thus formulating the ammunition for economic growth and statehood for the benefit of the Palestinian people.

The current economic development strategy, which was set jointly by the private and public sectors, focuses in the short-term on improving access to foreign markets and overcoming the obstacles hindering the movement of people, goods and services to these markets, in addition to attracting foreign direct investment through providing the required infrastructure needed for businesses to succeed. In the long run, the Palestinian Government, jointly with the private sector, are determined to restructure the legal framework to comply with the internationally recognized standards and specifically the trade-enabling framework of the World Trade Organization (WTO).

In addition to the aforementioned economic reasons, encouraging investments in Palestine also has social aims, including, increase in private sector employment, income generation, and improved standards of livings. A move towards increased per capita prosperity will additionally have the overall effect of potentially stabilizing tensions in the region, if achieved in tandem with a fair political settlement.
The National Export Strategy

The National Export Strategy (NES) aims towards the development of the competitiveness of Palestinian exports in the global market, it was formulated in full partnership between the Ministry of National Economy (MoNE) and Palestine Trade Center (PalTrade), with the participation of all relevant stakeholders’ in the Public and Private sectors, and Academia.

The situation analysis conducted prior to the NES confirms the need to define a specific and targeted roadmap to redress the Palestinian huge trade deficit and overreliance on a single market for exports. It is anticipated that the effective implementation of the NES by The Palestinian Government and private sector will reduce Palestine’s dependency on foreign aid, increase foreign exchange, foster employment and increase GDP per capita.

The National Export Strategy contains a plan of action and an implementation framework for a period of 5 years that focuses on identified priorities for export development and higher levels of competitiveness in Palestine.

In addition, an essential part of the Strategy includes the capacity building of both the public and private sectors, in order to successfully implement, manage, and ensure the continuation of the National Export Strategy. The NES design and management process, aims to “Contribute to develop Palestine’s exports and enhance their competitiveness, which in turn will drive employment creation, income generation, in particular improving livelihoods of women and youth, and the overall socio-economic development of the country”. In addition to the direct impact, the strategy is expected to achieve the following goals:

1. Enable Palestinian public and private stakeholders to formulate a strategic vision and identify priorities to support export development and competitiveness

2. Enable Palestinian Public and private stakeholders to conduct a dialogue supporting the mainstreaming of trade and the development of a national export culture

The NES program enjoyed the participation of a multitude of beneficiaries, including The National Export Strategy Team, which was established as a result of the NES project. the institutions of the Trade Support Network, the private sector institutions, producers’, manufacturers and exporters associations and relevant ministries and policy-makers.

At the moment, the National Export Strategy document in addition to its supporting sectorial and cross sectorial strategies have been developed in both English and Arabic, and are currently awaiting official endorsement from the Palestinian Cabinet.
Palestine at a Glance

Palestine lies on the south-western side of Asia in the southern part of the Mediterranean Sea’s East Coast. Thus, it lies in the heart of the so called ancient world, namely, the crossing point between Asia, Africa and Europe. This makes it a land bridge linking Asia and Europe with Africa and the Mediterranean Sea with the Red Sea.

Area

The geographic location has historically given Palestine religious, cultural and economic importance as it joins the three continents of the ancient world. This is a land at the crossroads of history and the heart of a global network of land, air and sea routes. The Area of Palestine (West Bank and Gaza Strip) is 6,020 Km². The Area of the West Bank is 5,655 Km²; 130 Km long and 40 to 65 Km in width. The area of the Gaza Strip is 365 Km²; 45 Km long and 5 to 12 Km in width.

<table>
<thead>
<tr>
<th>Administrative Divisions and Demographics</th>
</tr>
</thead>
</table>

Today’s Palestinians are direct descendants of the Arab people and share their culture, language and history. According to current administrative divisions, Palestine is divided into two geographic regions: The West Bank and The Gaza Strip:

The West Bank is divided into 11 Governorates (Jenin, Tubas, Tulkarm, Nablus, Qalqiliya, Salfit, Ramallah & Al-Bireh, Jericho & Al-Aghwar, Jerusalem, Bethlehem, and Hebron).

The Gaza Strip is divided into 5 Governorates (North Gaza, Gaza City, Deir Al-Balah, Khan Yunis and Rafah).
### Estimated Population in Palestine Year 2011-2016

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Palestine</td>
<td>4,168,858</td>
<td>4,293,309</td>
<td>4,420,550</td>
<td>4,550,365</td>
<td>4,682,467</td>
<td>4,816,501</td>
</tr>
<tr>
<td>West Bank</td>
<td>2,580,167</td>
<td>2,649,020</td>
<td>2,719,114</td>
<td>2,790,328</td>
<td>2,862,486</td>
<td>2,935,365</td>
</tr>
<tr>
<td>Gaza Strip</td>
<td>1,588,691</td>
<td>1,644,289</td>
<td>1,701,436</td>
<td>1,760,037</td>
<td>1,819,981</td>
<td>1,881,136</td>
</tr>
</tbody>
</table>

### Population Within Administrative Divisions (2013)

#### i) Estimated Population in Palestine by city end of 2013

<table>
<thead>
<tr>
<th>City</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Palestine</td>
<td>4,420,549</td>
</tr>
<tr>
<td>West Bank</td>
<td>2,719,112</td>
</tr>
<tr>
<td>Jenin</td>
<td>295,985</td>
</tr>
<tr>
<td>Tubas</td>
<td>60,582</td>
</tr>
<tr>
<td>Tulkarm</td>
<td>175,494</td>
</tr>
<tr>
<td>Nablus</td>
<td>364,333</td>
</tr>
<tr>
<td>Qalqiliya</td>
<td>105,330</td>
</tr>
<tr>
<td>Salfit</td>
<td>67,641</td>
</tr>
<tr>
<td>Ramallah &amp; Al-Bireh</td>
<td>328,811</td>
</tr>
<tr>
<td>Jericho &amp; Al Aghwar</td>
<td>49,390</td>
</tr>
<tr>
<td>Jerusalem</td>
<td>404,165</td>
</tr>
<tr>
<td>Bethlehem</td>
<td>204,929</td>
</tr>
<tr>
<td>Hebron</td>
<td>662,452</td>
</tr>
<tr>
<td>Gaza Strip</td>
<td>1,701,437</td>
</tr>
<tr>
<td>North Gaza</td>
<td>335,253</td>
</tr>
<tr>
<td>Gaza City</td>
<td>588,033</td>
</tr>
<tr>
<td>Deir Al-Balah</td>
<td>247,150</td>
</tr>
<tr>
<td>Khan Yunis</td>
<td>320,835</td>
</tr>
<tr>
<td>Rafah</td>
<td>210,166</td>
</tr>
</tbody>
</table>

source: PCBS, Palestine in Figures 2013

---

1 Palestinian Central Bureau of Statistics, 2010

2PCBS, 2013
Language

Arabic is the official language of Palestine. However, Palestinians are multilingual people, with English being widely spoken and used in business. Several other languages such as French, German, Hebrew, Italian and Spanish are also widely spoken.

Religion

Palestine is considered Holy Land by the main three monotheistic religions: Islam, Christianity, and Judaism. The city of Bethlehem contains one of the holiest sites in Christendom, the Church of Nativity, which marks the birthplace of Jesus Christ. Jerusalem contains Al-Aqsa Mosque and Dome of the Rock which is the place where Prophet Mohammed ascended to heaven. Despite Islam being predominant in the culture of Palestine for the past 1400 years, Palestine is celebrated as a place with high levels of religious tolerance and understanding. Furthermore, the abundance of religious and holy sites throughout the country has made Palestine a pilgrimage destination for people from all points of the globe, whereas Jerusalem is still one of the world’s biggest religious attractions for Muslims, Christian and Jewish pilgrims.

Currency

The Palestinian Government has no national currency. Palestinian banks accept deposits and withdrawals of foreign currencies. The New Israeli shekel (NIS), Jordanian Dinar (JOD), Euro and US Dollar are the main currencies used in Palestine, and form legal tender for all purchases.

Climate

Palestine enjoys a Mediterranean climate highlighted by hot, dry summers and short, wet, and cool winters. Weather patterns vary according to region whereas temperature and rainfall vary according to the topographic area, for example, mountainous areas usually have cool summer nights and occasional snowfall in the winter. The various geographic areas include the coastal plain, Jordan valley, eastern slopes, central highlands, and semi-coastal zone. Rain usually falls in the period between November and March. Despite its small size, Palestine is extremely diverse geographically this diversity opens the opportunity to have diversified agricultural production based on seasonality, and different climates per region. On the other hand, with its variety of climatic zones, Palestine provides tourists with various types of activities and options that are rarely found at other tourist destinations.

Business Culture

The overall Palestinian business community is marked by its entrepreneurial nature; almost every business established in Palestine will have a niche market of needs to be fulfilled. In addition, returning Palestinians from the US, Europe and around the world have become accustomed to a certain level of professionalism and a certain quality and standard of goods. These standards and needs are becoming visible as the number of ISO, Global GAP, GMP certified businesses is increasing locally.
Many owners of local enterprises have international contacts and experience. In the past, business development and trade were directed towards Europe and the Gulf, more recently however Palestinian entrepreneurs have been also looking to China, Turkey and North America for partnerships, joint ventures and technical expertise. All this said, Palestinians are extremely hospitable people, it is very much the norm to discuss plans and opportunities over a cup of strong Arabic coffee or mint tea, or to be invited to dinner at a family home, or out to a restaurant for a meal.
**Economy**

The Palestinian economy has a GDP of 7 million dollars and a GDP per capita of more than 1,500 dollars. The construction services sector has the largest contribution to the GDP, while the insurance sector has the least contribution. The unemployment rate consists of 23% and the private sector is the main employer with 69% of the labor force. The following is a detailed table of the main economic indicators:

<table>
<thead>
<tr>
<th><strong>GDP</strong></th>
<th>USD 7,054.3 million at constant prices (2013 est.)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GDP per capita</strong></td>
<td>$1691.9 (2013 est.)</td>
</tr>
<tr>
<td><strong>GDP by sector</strong></td>
<td>Agriculture, Hunting, Forestry &amp; Fishing (4.9%), industry Mining, manufacturing, electricity and water (11.9%), Construction services (14.1%), Wholesale and retail trade, repair of motor vehicles and motorcycles (14.0%), Transportation and storage (1.8%), Financial and insurance activities (3.2%), Information and communication (6.9%), services (20.0%), Public administration and defense (11.9%), PCBS 2013</td>
</tr>
<tr>
<td><strong>Inflation (CPI)</strong></td>
<td>1.72% (2013 est.)</td>
</tr>
<tr>
<td><strong>Labor force Participation</strong></td>
<td>43.6% (2013)</td>
</tr>
</tbody>
</table>

**Labor force by occupation sector (2013)**

<table>
<thead>
<tr>
<th>Occupation Sector</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, Hunting, Forestry &amp; Fishing</td>
<td>10.5%</td>
</tr>
<tr>
<td>Mining, Quarrying &amp; Manufacturing</td>
<td>12.2%</td>
</tr>
<tr>
<td>Construction</td>
<td>15.6%</td>
</tr>
<tr>
<td>Commerce, Hotels &amp; Restaurants</td>
<td>19.6%</td>
</tr>
<tr>
<td>Transportation, Storage &amp; Communication</td>
<td>6.4%</td>
</tr>
<tr>
<td>Services &amp; Other</td>
<td>35.7%</td>
</tr>
<tr>
<td>Branches</td>
<td></td>
</tr>
<tr>
<td>--------------------------------</td>
<td>-----------------</td>
</tr>
<tr>
<td><strong>Labor force by sector and region (2012)</strong></td>
<td></td>
</tr>
<tr>
<td>Private Sector</td>
<td>67.6%</td>
</tr>
<tr>
<td>Public Sector</td>
<td>22.7%</td>
</tr>
<tr>
<td>Israel</td>
<td>9.7%</td>
</tr>
<tr>
<td><strong>Unemployment Rate for 15 Years and Over, 2013</strong></td>
<td>23.4%</td>
</tr>
</tbody>
</table>

*Source: Palestine In Figures 2013, PCBS*
Importing and Exporting from Palestine

Import Procedures

Obtaining Foreign Trade Dealing Registration (Number Password)

Importing into Palestine requires obtaining a Foreign Trade Dealing Registration number, which is a one-time authorization to trade, applicable for both export and import across international borders. This is a "number password" which will be registered in the Israeli computer system. It is worth noting that the importing process cannot take place without this "number password".

To obtain this registration, procedures start at the Ministry of National Economy (Consumer Services Department), then go to the Office of the Commercial Affairs Coordinator in Bet El (handled by the MoNE) and then back to the Consumer Services Department or the Clearing Agent’s office, depending on how the application was submitted.

The special forms of the Foreign Trade Dealing Registration are obtained at the Ministry of National Economy /Consumer Services Department or from its satellite offices in the governorates.

The Foreign Trade Dealing registration may be obtained for a company (carries the corporate registration number) or for an individual trader (carries the identity card number of the trader).

Documents and Procedures for obtaining “Foreign Trade Dealing” registration

Documents required

Companies:

- Three copies of the corporate registration
- Three copies of the corporate registration application for Foreign Trade Dealing.

Individuals:

- Three copies of the identity card.
- Registration document from the Income Tax and VAT departments.
- A handicrafts certificate from the municipality
- A certificate of membership from the Chamber of Commerce and Industry.

Important Note

In the event the "password" has not entered the Israeli computer after two weeks, the importer has to inform the Consumer Services Department at the Ministry of National Economy.

Foreign Trade Dealing Registration is a one-time authorization for trade and it continues to be valid provided that it is used at least once annually, otherwise it will be cancelled.
Procedures

After filling the forms and preparing the documents, the application is submitted to the Ministry of National Economy /Consumer Services Department. The person in charge reviews and verifies the application and makes sure that all the documents are complete. In the event the application is submitted in the governorates offices, it is also verified and sent to the headquarters of the Ministry of National Economy in Ramallah.

The importer is given a copy of the application signed by the Director General of Trade as a proof that he is an importer in Palestine.

The time cycle needed, after delivering the application at Bait El, for registering the "number password" in the Israeli computer system at all the Israeli entry points ranges between one and two weeks.

After two weeks, the importer has to make sure, through his clearing agent, that the "number password" has entered the Israeli computer system at all the crossing points. See note above

Import Licenses

Import Licenses are granted as follows:

- Import licenses according to lists A1, A2 & B
- Import licenses according to quotas: Commodities imported from the United States of America, European Union and Turkey in limited quantities and low customs fees and taxes.
- Motor vehicles licenses: This requires approval from the Ministry of Transportation.
- Other import licenses
- Other types of goods that require a special import licenses.

An import license consists of four forms and every form consists of three copies in different colors (white, red and green). Following are the forms:

- Import License in Arabic and English
- Import License in Hebrew and English
- Performa Order for Importing Goods Based on the License in Arabic and English
- Performa Order for Importing Goods Based on the License in Hebrew and English.

Import Lists

Import Lists A1, A2: lists in which the Palestinian Government, in accordance with Paris Protocol, has the right to apply, within pre-determined quotas, its customs rates, purchase tax and other import charges on those goods, in addition to defining standard requirements.

List A1: goods locally produced in Jordan, Egypt or in other Arab countries.
List A2: Goods imported from Arab, Islamic or other countries.

Import Lists B: lists in which the Palestinian Government, in accordance with Paris Protocol, has the right to apply its customs rates, purchase tax and other import charges on those goods according to Israeli standards.

List B: The Palestinian Government will have all powers and responsibilities to independently determine and change from time to time the rates of customs, purchase taxes; levies, excises and other charges on the goods on List B of basic food items and other goods for the Palestinian economic development program, imported by the Palestinians to the Areas.
**Procedures**

These forms are obtained free of charge from the Ministry of National Economy - Consumer Services Department or the Ministry's offices in the governorates. They must be typed in English only in offices that provide such services or by the clearing agents' offices. The form must be signed and sealed by the importing side (firm or individual).

1. The form must be clean and void of any scratching or handwriting and must include a single item identified by one tariff code and one origin.

2. The import application is submitted to the Consumer Services Department (registrar) at the Ministry of National Economy for verification or at one of the Ministry's offices in the governorates, which in turn verify it and send it to the Ministry's headquarters in Ramallah.

3. The Consumer Services Department puts the "password" on the license and delivers it to the importer.

4. The importer has to check with the clearing agent to make sure whether the imported goods need a license from the Ministry or not.

**Licensing Number:** The computer (number password), which consists of 9 digits and is obtained after the final approval on the application. The serial number of the application is written on the right corner.

**Importer Name:** The name of the company or person/identity card number. The name of the company should be written in Latin letters and in Arabic pronunciation. Example: Sharikah Al-Wattanyah Lel-Tijarah Wal-Istithmar (National Company for Trade and Investment)

**Importer Address:** Company's place of service and address for correspondence as shown in the company's registration certificate.

**Importer Address:** Company's place of service and address for correspondence as shown in the company's registration certificate.

**Importer Registration Card Number:** The same registration number of the company or the identity card number of the importer if the importer is an individual.

**Type of Commodities:** Name of the imported commodities.

**Terms of Payment:** FOB (A pricing term indicating that the price includes the cost of loading the goods into transport vessels at a specified place. The exporter is no longer responsible for the goods once they have been placed on the ship at the port of departure). CIF means cost, insurance and freight and it is a pricing term indicating that the price includes the costs of goods in the country of origin on the day of clearance, and all the costs incident to delivery at the port of entry in the country of destination.

**Packaging:** The way goods are wrapped, boxed or consigned to the importer's address. This may be in cartons or wooden boxes, free wrappers or sacks or loaded in trucks (as sheep) during shipment.

**Quantity:** Total units of imported goods.

**Measurement Unit**
- 1Kg if the goods are weighed
- 1M if the goods are measured in length
- 1M² if the goods are measured in area
- 1PC if the goods are in pieces

Measurement unit of cigarettes is 1000 cigarettes.

**Unit Price:** Price of measurement unit in dollar.

**Unit Price:** If the goods are of the same type but of different size (or of any other difference), the average price is calculated and Average is written opposite to the price.

**Value in Purchase Currency:** total value of the imported goods in the currency in which the goods were purchased whether in $US or in any other currency.

**Value in $US:** If the goods are purchased in a currency other than $US, the total value is converted to $US.

**Country of Purchase:** The country from which the goods are purchased.

**Country of Export:** The country from which the goods are exported

**Country of Import:** The Country that imported the goods.

**Name of the Exporter:** The name of the company from which the goods are purchased.

**Address of the Exporter:** The address of the company from which the goods are purchased.

**Validity of the License:** Validity of the import license is 6 months and renewable to another 6 months.

**Port of Entry:** The port or crossing point through which the goods will enter.

**Note:** The imported goods may be divided, in agreement with the customs authorities of the crossing points through which the goods enter, into parts.
**Export Procedures**

The process of exporting does not require special procedures, with the exception of those required by the importing country, and which vary according to their requirements, as well as the existing agreements, especially with regard to certifications of technical standards and health and food safety standards, and the source of the certification of origin for regional integration agreements. The Palestinian Government requires that special export licenses must be issued for the following items: 1). Armaments and Military Equipment, 2). Special High Tech Equipment, and 3). Historical and archeological artifacts. Otherwise, all other products do not require any type of licensing.

In accordance with free trade agreements which Palestine is co-signatory to, the following certification of origin procedures are applicable:

<table>
<thead>
<tr>
<th>Country of Export</th>
<th>Type of Certificate of Origin</th>
<th>Issuing Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>European Union, Turkey and EFTA</td>
<td>Eur – 1 certificate</td>
<td>Palestinian Customs Authority</td>
</tr>
<tr>
<td>United States</td>
<td>Certificate of Origin for Export to the United States – Green Form</td>
<td>Self Declaration, which does not require any authentication from official authority</td>
</tr>
<tr>
<td>Arab Free Trade Area</td>
<td>Arab Certificate of Origin Form</td>
<td>Issued by Chambers of Commerce, and authenticated by Ministry of National Economy</td>
</tr>
<tr>
<td>Canada</td>
<td>Self Declaration of Origin indicating local content and value added</td>
<td>Issued by exporter with no need for authentication</td>
</tr>
<tr>
<td>Others</td>
<td>National Certificate of Origin form</td>
<td>Issued by Chamber of Commerce and authenticated by Ministry of National Economy</td>
</tr>
</tbody>
</table>
Legal Business Structure

Legal Environment

The Palestinian legal system is in the process of reform to become a mature and well-built based on international legal standards. The legal system is on continuous monitoring by the Palestinian Legislative Council (PLC) in order to enhance the conglomeration of a variety of laws imposed upon the areas by historical rulers and the current series of laws that modernize old laws, and establishes new laws where necessary.

Considerable international assistance in the form of technical expertise and financial aid was and is being provided in order to both speed up the process, and ensure the new laws are just and effective in the long-term and compliant with international standards and specifically the WTO framework. It is well known that the process of defining a new legal system for a nation in its infancy is, even at the best of times, a rightly drawn out process, but the aim of the work being done is to achieve harmony with the highest international standards and norms. A draft company registration law has been developed that reflects the aforementioned standards, and is in the process of being adopted.

Company Registration of Doing Business Entities

Until the adoption of the new company registration law, the Companies Registration Department of the Ministry of National Economy, which is responsible for company registration of legal entities permitted to do business in Palestine, handles the registration process.

With regard to company registration laws, and until the adoption of the new law, the Jordanian Companies Law No.12 of 1964 is still the applicable law in the West Bank. While in the Gaza Strip two laws from the British mandate are applicable: the Companies Law No.18 of 1929 and the Ordinary Companies’ Law No.19 of 1930. Provisions in company laws implemented in the West Bank and the Gaza Strip vary in relation to the types of companies, designation, and capital, among others. A new registration Law is expected to introduce a unified legal system in all regions. And it will also work on eliminating several requirements for easier registration. The Law will come into effect as soon as it is adopted by the Palestinian Legislative Council and Signed by the President, but due to the political circumstances, the timeline for adoption is unclear.

For the time being, and as a guide, the following are the types of companies that may be registered, based on both laws implemented in West Bank and Gaza Strip.

Companies according to the Applicable Law in the West Bank

Jordanian Law No.12 of 1964 refers to two primary groups of companies; each category contains several types of companies as follows:

---

3 Palestine Investment Promotion Agency (PIPA), http://www.pipa.gov.ps/structures.asp
### Regular Companies

- Regular Public Company (Solidarity company):
- Number of founders between 2 to 20.
- The law does not specify its capital.
- All partners within a company are jointly liable for covering the debts of the company and for all of their contracts and obligations.
- It is permitted for every partner to participate in managing the company, without having the right to receive any benefits and rewards as compensation, unless all partners agree otherwise.

### Regular Limited Liability Company

- Number of founders between 2 to 20.
- The law does not specify its capital.
- It consists of two kinds of partners; one or more general partners who are jointly and severally liable for the company’s debts and its contracts and obligations and one or more partners whose liability for the company’s debts is limited to their contribution to the company’s capital.
- Partners with limited liability may not participate in the management of the company.

### Shareholding Companies

#### Public Shareholding Limited Liability Company

- Minimum number of founders should be 7.
- The capital of the company should not be less than JD 30,000 which shall consist of tradable shares that are offered to the public.
- The responsibility of the shareholders is limited to the contribution of each person in the Company’s capital.
- A board of directors of 5 to 11 members elected for 4 years shall manage the Company.

#### Private Limited Liability Corporation

- Number of founders between 2-50 people.
- The company’s capital must not be less that JD 2,000, which shall be divided into shares that are not offered to the public.
- The responsibility of shareholders is limited to the contribution of each in the company’s capital.
- If the number of shareholders is less than 20 shareholders, the partners shall agree on how to administer the company, as is the case with a regular company. However, if the number of shareholders exceeds 20 people, a Board of Directors of 2-5 members shall manage it, elected in the same manner as the Board of Directors is elected in Public Shareholding Companies.
Foreign Companies

- Foreign companies could be regular or shareholding companies. They will register as foreign companies or branches of foreign companies.
- It is not permitted for any foreign Company to perform any business unless it is registered with the Companies’ Registrar. It must present the required documents to the Companies Registrar who shall then recommend the registration to the Minister. If any changes occur in the company’s documents, the company must inform the authority through the same Registration procedure. If the company is a shareholding, it must present a report on their business within 3 months of the end of every financial year and a copy of their financial reports prepared by a certified audit firm. The company has to indicate clearly in all its documents and papers the name of the country it was established in.

Companies according to the Applicable Law in the Gaza Strip

According to Law No.18 of 1929, the minimum number of founding members of any company should be seven people and the law does not limit their capital; the law distinguishes between three types of companies:

Limited Shareholding Company

The members’ responsibility is indicated in the company’s articles of incorporation, which shall be limited to the pending unpaid amount of the share value after they have paid their shares, should that be the case. The company’s bylaws shall include its equity capital.

Limited Liability Company

Its members’ liabilities are determined in its articles of incorporation, in relation to the amount pledged by each member to pay in case of liquidation of assets. The company’s bylaws shall indicate the number of members the company plans on registering.

Unlimited Company

It is a company that does not limit its members’ liabilities. Law No.19 of 1930 does not permit the establishment of a regular company in Palestine consisting of more than ten people. Nor does the law indicate the minimum capital and each partner have the right to take part in the management of the company. This law is in relation to regular companies in four kinds:

- Regular Limited Liability Company: it consists of one or more general partners who are jointly and severely liable for the company’s debts and obligations and one or more partners whose liability for the company’s debts is limited to their contribution to the company’s capital only.
- Foreign Trade Shops: These are regular companies registered outside Palestine that would like to conduct their businesses in Palestine.
- Non-Profit or Charitable Company: This is a limited liability company that practices trade, arts, sciences, religion, charitable business or any other charitable purpose and aims to spend its revenues – if any – in order to achieve its purpose and do not pay any dividends to its members.

- Foreign Company: This is a company established outside Palestine or is associated with a regular company composed of more than ten members and is registered or established outside Palestine.

Note: Any foreign company wishing to operate in Palestine must first register in Palestine as a foreign company and submit an application for registration within a month of its establishment in Palestine.
**Cost of Doing Business**

**Labor and Employment**

**Labor Law**

The Palestinian Government passed the labor law No 7 in 2000 in order to harmonize the separate laws between the West Bank and Gaza. The following table outlines the current amalgamated labor practices and policies according to this law.

Labor Policies in Palestine

<table>
<thead>
<tr>
<th>Issue</th>
<th>Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work Day / Week</td>
<td>Maximum 45 hrs./week; no daily limit</td>
</tr>
<tr>
<td>Weekly Holiday</td>
<td>Minimum of one day per-week, any day</td>
</tr>
<tr>
<td>Overtime Pay</td>
<td>150% of salary for overtime</td>
</tr>
<tr>
<td>Annual Leave</td>
<td>Minimum of 14 days for the first 5 years of employment; minimum of 21 days thereafter.</td>
</tr>
<tr>
<td>Severance Pay</td>
<td>Severance Pay is intended to be a rudimentary pension program, and is based on the time that the employee has spent in the company / job. Payment is based on the following: 1/3 of the last monthly salary received per year for each year worked from 1 to 5 years. 2/3 of the last monthly salary received per year for each year worked from 5 to 10 years, and a full monthly salary last received for each year worked beyond 10 years.</td>
</tr>
<tr>
<td>Worker's Accident Insurance</td>
<td>All employers are required to carry health and injury insurance for employees.</td>
</tr>
<tr>
<td>Sick Leave</td>
<td>Days 1-14=100% of salary; Days 15 - 28=50% of salary.</td>
</tr>
<tr>
<td>Minimum Wage</td>
<td>1450 NIS <em>(introduced in 2012)</em></td>
</tr>
<tr>
<td>Transportation Reimbursement</td>
<td>None required.</td>
</tr>
<tr>
<td>Maternity Leave</td>
<td>100% of pay for a total leave period of 10 weeks, providing that 6 weeks are taken after the delivery day.</td>
</tr>
<tr>
<td>Social Security and Medical Insurance</td>
<td>Medical insurance is required, however social security system is not established yet in Palestine.</td>
</tr>
</tbody>
</table>

Source: Labor Law No. 7, 2000

**Labor Quality and Availability**

One of Palestine's key advantages is its superior, relatively low-cost labor force. There is a large number of highly qualified and internationally trained men and women that are suitable for employment in the various productive sectors, including: information technology, business administration, project financing, and any other function calling for skilled human resources.
Labor Costs

The table below outlines the various average costs and characteristics of the labor force in Palestine. Depending on the location of the project, different rates may apply for the cost of labor.

| Labor Force Characteristics in Palestine |

| Average Monthly Wage in NIS for Wage Employees in Palestine by Occupation, (ILO Standards), October –December, 2013 |

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Average Wage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legislators, Senior Officials &amp; Managers</td>
<td>4,300</td>
</tr>
<tr>
<td>Professionals, Technicians, Associates and Clerks</td>
<td>2,493</td>
</tr>
<tr>
<td>Service, Shop &amp; Market Workers</td>
<td>1,833</td>
</tr>
<tr>
<td>Craft and Related Trade Workers</td>
<td>3,545</td>
</tr>
<tr>
<td>Plant &amp; Machine Operators &amp; Assemblers</td>
<td>2,345</td>
</tr>
<tr>
<td>Elementary Occupations</td>
<td>2,299</td>
</tr>
</tbody>
</table>

Sources: Palestinian Central Bureau of Statistics (Press release 12/2/2014)

<table>
<thead>
<tr>
<th>Economic Activity</th>
<th>Median of Daily Wage</th>
<th>Average Daily Wage</th>
<th>Average Monthly Days</th>
<th>Average Weekly Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, Hunting &amp; Fishing</td>
<td>50</td>
<td>62</td>
<td>18.9</td>
<td>35.8</td>
</tr>
<tr>
<td>Mining, Quarrying &amp; Manufacturing</td>
<td>70</td>
<td>81.2</td>
<td>22.4</td>
<td>45.8</td>
</tr>
<tr>
<td>Construction</td>
<td>120</td>
<td>139.1</td>
<td>18</td>
<td>40.2</td>
</tr>
<tr>
<td>Commerce, Hotels &amp; Restaurants</td>
<td>57.7</td>
<td>72.9</td>
<td>24.3</td>
<td>48.7</td>
</tr>
<tr>
<td>Transportation, Storage &amp; Communication</td>
<td>61.5</td>
<td>87.5</td>
<td>23.1</td>
<td>44.1</td>
</tr>
<tr>
<td>Services &amp; Other Branches</td>
<td>88.5</td>
<td>96</td>
<td>23.9</td>
<td>38.8</td>
</tr>
<tr>
<td>Total</td>
<td>80</td>
<td>97.2</td>
<td>22.3</td>
<td>41.6</td>
</tr>
</tbody>
</table>

Averages of gross wages and salaries are cited in the table above. Taxes and insurance are deducted from these figures for salaried employees to arrive at the net wages and salaries.

It is the responsibility of the employer to deduct taxes and insurance benefits from employee salaries prior to disbursement of monthly remuneration. Ranges provided in the table above refer to averages. Depending on the nature and size of the enterprise, wages and salaries can vary considerably from these averages.

**Employment of women**

According to the Palestinian Labor Law, discrimination between men and women at work, including in employment procedures, is prohibited. The employment of women for dangerous work, based on regulations to be passed by the Minister is prohibited. The same is true of additional working hours during pregnancy or six months following birth. Late night working hours are also prohibited for women, with the exception of those jobs identified by the Council of Minister. The establishment must provide separate “rest” facilities for women. A woman that has been employed for a period exceeding 180 days at the establishment prior to delivering a child has a ten (10) week childbirth paid vacation, six (6) weeks of which has to be after giving birth. A woman’s job may not be terminated due to the aforementioned paid vacation unless it is proven that she has worked in a different establishment during that time. A breastfeeding mother has the right to one cumulative hour of breastfeeding per day for the period of one year from the date of delivery. The aforementioned breastfeeding hour should be counted as a working hour.

In accordance with work requirements, a woman has the right to unpaid leave beyond the aforementioned, for childcare or to accompany her husband. These rules should be posted clearly at the establishment.

**Temporary work contracts**

Temporary work contracts cannot exceed a maximum of two consecutive years with the same employer. If work continues for longer than this period then the contract is considered a long-term contract of unlimited duration. Additionally, the law limits the trial period of employment to no more than three months. Individual contracts may be terminated under any of the following circumstances: the agreement of both parties, the end of its duration for ad hoc, temporary or seasonal business, at the expressed wish of any of the two parties during the trial period or at the expressed wish of the employee on the condition that the employee informs the employer one month in advance if he/she is paid a monthly wage, or one week in advance if he/she is paid on a daily/weekly/or by contract.

The law permits employers to unilaterally terminate a contract without prior notification in case of grave breaches.

**Labor Disputes**

Labor disputes are solved by negotiation within each establishment. If a dispute cannot be resolved within the establishment, either one or both parties have the right to resort to the reconciliation office at the Ministry of Labor. If the reconciliation officer fails to resolve the
conflict within 10 days, the minister is obliged to refer this dispute to a reconciliation committee consisting of a ministry staff member who heads the committee and an equal number of members selected by both the employer and the workers. If this committee fails to resolve the dispute within two weeks, the parties are free to resort to court.

**Working Hours**

A working week consists of 45 working hours; however, workers are entitled to a rest period as long as it does not exceed one-hour on a daily basis. It is permissible for both parties to reach an agreement on overtime that does not exceed 12 hours per week. The worker also has the right to be paid weekly time off no less than 24 consecutive hours.

**Holidays**

Workers are entitled to 14 days paid holidays annually. There are also religious and official holidays.

**Wages**

Under the current law, wages are paid on a monthly basis for monthly contracts, and a weekly basis for daily or hourly or weekly contracts. It is not permitted to delay payment of wages for more than 5 days from their due date as the wage is considered to be an outstanding debt.

**Health and Safety**

The safety and health of workers is dealt with in the special regulations on the health and security of the workers from work risks and hazards as well as necessary conditions of the workplace, means of medical aid and regular medical checks for workers.

**Juvenile Work**

It is forbidden to employ children under the age of 15. For juveniles aged 15 – 18 who are eligible to work, they need to be subjected to a medical examination prior to employment, to be repeated every 6 months. Those under the age of 18 cannot be employed in dangerous industries or industries that damage health, nor are they allowed to work at night.

The daily working hours must be reduced for juveniles by no less than one hour daily. The annual holiday for juveniles is 21 days and it cannot be postponed to the following year.

**Special Employment Offices**

Based on Clause 8 of the Labor Law and on Regulation 1 of 2009 concerning the licensing of special employment offices, the Minister of Labor on 24 December 2009 issued a decision allowing for the licensing of special employment offices.

The offices act as intermediaries between employers and jobseekers to meet the needs of both parties. They communicate with international parties to meet their needs of Palestinian labor.
They also can undertake media campaigns to invite Palestinian jobseekers to submit their applications and benefit from the services of these offices. The decision further detailed that these offices should be registered as regular companies, and the law also permits any foreign company registered in its home country to register a branch in Palestine.

Following the decision of the Minister of Labor of 2 January 2010, jobseekers pay a retainer fee (maximum of 5% of their basic wage for the first year) in return for these services. This rate decreases by 1% per year of employment and continues as long as the contract is renewed. These retainers are paid on a monthly basis and are terminated at the end of the third year of the contract.

### Cost of Production Inputs

#### Cost of energy

The cost of energy as a production input is of great importance relevant to investment decisions, especially in energy intensive industries.\(^5\) Below is a listing of these costs:

#### Electricity for Industrial Usage (NIS/kilowatt/hour)

Industrial Electricity costs are calculated per AMP as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Cost of Kilowatt</th>
<th>Fixed Daily Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low AMP</td>
<td>0.58 NIS</td>
<td>1 NIS/Day</td>
</tr>
<tr>
<td>Medium AMP</td>
<td>0.52 NIS</td>
<td>4 NIS/Day(^6)</td>
</tr>
</tbody>
</table>

#### Natural gas cost (NIS per Kg)

Industrial Natural Gas 5.4 NIS per Kg (April 2014 prices)\(^7\)

#### Gasoline cost (NIS per liter)

Gasoline is 7.14 NIS per liter, the equivalent of US$ 2.05

#### Cost of industrial water (NIS per m\(^3\))

Industrial Water is 4.40 NIS/m\(^3\) and it increases based on consumption, the equivalent of US$1.27\(^8\)

---

\(^5\) The exchange rate of 1 USD = 3.47 NIS was used.

\(^6\) Jerusalem Electricity Company

\(^7\) PALGAS
### Cost of transport to ports (sending/receiving)

<table>
<thead>
<tr>
<th>Port</th>
<th>Cost in NIS*</th>
<th>Cost in US$*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Haifa</td>
<td>2,500</td>
<td>500</td>
</tr>
<tr>
<td>Ashdod</td>
<td>2,500</td>
<td>500</td>
</tr>
<tr>
<td>Jenin to Allenby Bridge</td>
<td>2,000</td>
<td>418</td>
</tr>
<tr>
<td>Allenby Bridge to Aqaba</td>
<td>1,800</td>
<td>500&lt;sup&gt;9&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

40 Ft. Container on a Semi-trailer truck, 24 tons, 12m length and takes up to 20 pallets. The cost of transportation (send/receive) is relevant to Jenin city<sup>10</sup>

### Costs of Transportation incurred on both Israeli and Jordanian sides

#### Costs at Israeli side

<table>
<thead>
<tr>
<th>Service</th>
<th>Cost in NIS</th>
<th>Cost in US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crossing Fees</td>
<td>222</td>
<td>64</td>
</tr>
<tr>
<td>Loading fees/ pallet</td>
<td>30</td>
<td>8.6</td>
</tr>
<tr>
<td>Clearing Agent</td>
<td>240</td>
<td>69.2&lt;sup&gt;11&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

#### Costs at the Jordanian Side

<table>
<thead>
<tr>
<th>Service</th>
<th>Cost in Jordanian Dinar (JD)</th>
<th>Cost in US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customs Employee escort</td>
<td>20</td>
<td>26</td>
</tr>
<tr>
<td>Stamps (Customs Declaration)</td>
<td>10</td>
<td>13</td>
</tr>
<tr>
<td>Transit Fees</td>
<td>10</td>
<td>13</td>
</tr>
<tr>
<td>Clearance Fees in transit</td>
<td>30-35 Depends on the agreement with Customer)</td>
<td>39 – 46</td>
</tr>
<tr>
<td>final clearance to Jordan</td>
<td>50</td>
<td>65</td>
</tr>
<tr>
<td>Bank Guarantee Fees</td>
<td>5 JD for the first 5000 JD + 1 JD for each 1000 extra</td>
<td>US$ 6.50 for the first US$ 6,500 + US$1.3 for each US$ 1,300 extra</td>
</tr>
<tr>
<td>Security check for empty truck</td>
<td>2</td>
<td>2.6&lt;sup&gt;12&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

<sup>8</sup> Jerusalem Water Undertaking

<sup>9</sup> Interview - Manager of a shipping Company in Palestine

<sup>10</sup> 40 Ft. container on a Semi-trailer truck, 24 tons, 12m length and takes up to 20 pallets. The cost of transportation (send/receive) is relevant to Jenin city. Due to the limited resources in Palestine, there is no availability for trucks and containers that provide special conditions (such as refrigerated trucking) and hence no information about cost is available.

<sup>11</sup> Interview - Manager of a shipping Company in Palestine

<sup>12</sup> Interview - Manager of a shipping Company in Palestine
**Health Insurance**

300$-350$ annually per employee with an average age of 30 years, not including family members

---

**Cost of Doing Business in Brief**

<table>
<thead>
<tr>
<th>Activity</th>
<th>Time and Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Starting a Business</td>
<td>45 days needed to go through 9 procedures. It cost 85% of the income per capita ($1200)</td>
</tr>
<tr>
<td>Dealing with Construction Permits</td>
<td>87 days needed to go through 18 procedures</td>
</tr>
<tr>
<td>Registering Property</td>
<td>56 days needed to complete 8 procedures with a cost of 3% of property value</td>
</tr>
<tr>
<td>Getting Credit</td>
<td>Information is considered relatively low, with most of the companies not submitting accurate financial reports in addition to a lack of private bureau coverage.</td>
</tr>
<tr>
<td>Paying Taxes</td>
<td>There are 39 payments per year which take up to 170 hours. The corporate profit tax varies from 16.2% of the income in addition to other taxes which can reach up to 0.6% of the profit.</td>
</tr>
<tr>
<td>Trading Across Borders</td>
<td>6 documents is the number of documents needed for exporting or importing, with time to export can reach 23 days while it takes 38 days for importing. It cost $1360 for exporting a container while it cost $1390 for importing</td>
</tr>
<tr>
<td>Enforcing Contracts</td>
<td>44 procedures needed to enforce a contract which takes 540 days with cost that can reach up to 21.2% of the claim.</td>
</tr>
</tbody>
</table>

Break Down of procedures, cost and time can be found in the Annex ¹³

All the information and numbers provided in the report are from Palestinian Center Bureau of Statistics and the World Bank/IFC Doing Business Report for 2014 and private sector sources¹⁴ interviewed for the purpose of the report.


¹⁴ Private sector institutions such as the Palestine Trade Center – PalTrade www.paltrade.org, the Palestinian Federation of Chambers of Commerce, Industry and Agriculture, and private sector companies providing the relevant products and services.
Starting Your Business

Company registration

Registration at the Ministry of National Economy

The Company Registration is operating under the Jordanian Law of Companies No.12 of 1964. Following are the procedures applicable for the registration of companies by type of company:

Public and Private Shareholding Companies

1. Choose a name for the company to be registered, fill it in the special form used for verification of names and obtain the approval if the name is not identical with the name of another company on the register.
2. Fill in three copies of the company's registration form with the required data, signed by the shareholders in the presence of the Companies' Controller or Notary Public.
3. Submit three copies of the company's Articles of Corporation and company's By-laws prepared by an attorney registered at the Palestinian Bar Association and signed by the shareholders.
4. Submit copies of the shareholders' identity cards and an attorney's proxy.

Ordinary Companies

1. Choose a name for the company to be registered, fill it on the prescribed form used for verification of names and obtaining the approval in case the name is not identical with the name of another company on the register.
2. Fill in three copies of the company's registration form with the required data, signed by the partners in the presence of the Companies' Controller or Notary public.
3. Submit three copies of the company's Articles of Corporation and company's By-laws prepared by an attorney registered at the Palestinian Advocate Syndicate and signed by the partners.
4. Submit copies of the shareholders' identity cards and an attorney's proxy.

Public and Private Shareholding Companies required fees for registration:

- 285 NIS: Registration fees
- 87 NIS: Fees for the verification of the company's name
- 84 NIS: Fee per shareholder in case of signature in the presence of the Companies Controller
- 1% Fee based on stated capital

Ordinary Companies required fees for registration:

- 493 NIS: Registration fees
- 87 NIS: Fees for the verification of the company's name
- 84 NIS: Fee per partner in case of signing in the presence of the Companies Controller
**Foreign Shareholding Companies**

1. Obtain a work permit for the foreign partners if they are residents in the territories within the jurisdiction of the Palestinian Government or the company to be registered at the Palestinian Government;
2. Submit all the company's documents issued in the company's country of origin;
3. The Companies' Controller shall study the company's documents and give approval.

**Requirements for the Modification of a Company Registration**

1. Minutes of meeting for partners about the required modification;
2. Submit a petition for the Companies' Controller about the required modifications;
3. Copies of the new and old partners’ identity cards if the modification is regarding the shareholders or the partners;
4. The company's last audit statement;
5. Shares transfer bonds if the modification is in relation of the shareholders in case of shareholding companies. In case of ordinary companies, it is necessary to submit a notarization and deed of assignment.
6. Note: Modifications are subject to the Companies' Controller’s approval, publication and registration in accordance with the Law of Companies.
7. For the authentication of any company's document, the following must be attached:
   - A petition submitted to the Companies' Controller stating the required modification;
   - The last company's budget;

**Registration at the income tax and VAT departments**

The registration number for income tax and VAT is the same. In most cases, chartered accountants register the company at the tax department (over 90% of cases). Chartered accountants’ charges usually start at US$400/per annum. However, there are no fees to be paid for registration. Investors are requested only to open a file and submit a copy of their identification document and registration certificate.
Cost of registration is subject to the company’s capital and varies from one chamber to the other. As an example the fees used by the Ramallah Chamber of Commerce as a guide:

- Grade A+: pay an initial fee of US$140 plus an annual fee of US$140.
- Grade A: pay an initial fee of US$106 plus an annual fee of US$106.
- Grade B: pay an initial fee of US$70 plus an annual fee of US$70.
- Grade C: pay an initial fee of US$35 plus an annual fee of US$35.

Applicants should submit to the business services office at the Chamber an application form duly signed for consideration. For individual establishments the applicant has to attach a photocopy of the rental agreement for the shop or establishment, in addition to the trade license from the relevant municipality. For shareholding companies, applicants should enclose a copy of the Company’s registration certificate (issued by the Ministry of National Economy), a copy of the memorandum of association and the company’s bylaws, in addition to the office rental contract.

Obtaining approval from the Directorate of civil defense

The directorate of civil defense needs to inspect the general safety conditions including, alarm and fire systems, emergency exits, safety of site and its convenience to the company’s activities. In return, the company should pay the directorate according to the type of business. For example, registering a 100m² project in Ramallah city costs NIS 80 annually, while 1,000m² costs NIS 650. An additional NIS 20 is added for areas exceeding 10,000m². This fee is paid at the bank using a deposit slip provided by the directorate.
Regulatory environment

Competition and Intellectual Property

All policies and documents of the PNA repeatedly confirm the importance of a free market to the Palestinian economy. It has undertaken the necessary measures to incorporate this into the Basic Law and in several economic laws. The PNA has prepared a draft law on the protection of competition with the goal of strengthening and protecting the pluralism and freedom of economic activities, commercial exchange and ensuring the accessibility of individuals and institutions to markets. The draft also aims at preventing monopoly and the abuse of economic power; and finally, to create a free and competitive business environment. In order to create the desired competitive environment to exchange services and goods and prevent any agreement and arrangements that might restrict or weaken the competition, the PNA strives to accede to and to attain membership in different intellectual property bodies, especially those pertinent to the commercial aspects of intellectual property. The PNA has observer status at the World Intellectual Property Organization since 2005.

The Protection of Intellectual Property Rights Law is in the drafting phase and it includes copyright and related rights, industrial property that stresses patent rights, licenses, publishing rights, and other relevant rights that distinguish between publishing rights and copyrights. Currently, the Civil Complaints Law of 1933 regulates intellectual property in Gaza and the Commercial Law No.19 of 1953 and the Patents Law No.22 of 1953 in the West Bank. Both laws can be summarized as follows:

Trademarks and Trade Names

Trademarks fall under law No.33 of 1952 in the West Bank, and Trademarks Law No.35 of 1938 in the Gaza Strip. The primary ownership of trademarks is seven years and it is possible to renew or extend the ownership of trademarks for longer periods successively. The law states that trademark infringement is punishable by one-year imprisonment or a fine that does not exceed JD 100. Thus, it is necessary for foreign companies to register their trademarks in Palestine through the legitimate authority that establishes trademark ownership, or through a lawyer. Trademarks can be registered unless they do not meet the required conditions, i.e. if they are similar or identical to a registered trademark, or are likely to deceive the public or are contrary to public values and ethics. It should be noted that trade names are registered in Palestine according to specific procedures and conditions stated in the Jordanian Law No.30 of 1953 that is still applicable in the West Bank and Law No.2 of 1929 in the Gaza Strip. To register a trademark, four copies of the trademark should be attached to the registration application on the condition that one is in color, with the Company’s registration certificate.

Patents and Utility Models

Patents mean production of any new item or the use of any discovered or known means in a new way for any industrial purpose. The Patents and Design Law No.22 of 1953 is applicable in the West Bank while Patent Law No.64 of 1947 is applicable in the Gaza Strip. A foreign company must have a trademark and design registered by the relevant authority or a lawyer with the required documents.
Copyrights

Copyright law in the West Bank and Gaza consists entirely of British mandatory legislation, since neither Jordan, Egypt nor Israel made any changes to the original mandatory copyright regime. The main component of the mandatory regime was the Copyright Act, 1911, which was applied to Palestine by an Order in Council the Copyright Act, 1911 Order, 1924. The Copyright Act was modified slightly by the High Commissioner in Copyright Ordinance, 1924.

Current copyright law in Palestine is therefore the same complete corpus of laws in force over 70 years ago. Nonetheless, this law is as a whole quite satisfactory; it is drafted clearly and specifically, is relatively exhaustive in scope and detail and its substance is balanced and reasonable. The reason for this state of affairs is fairly obvious: the Copyright Act of 1911 is a regular British statute. By contrast, the ordinances regarding patents and trademarks were drafted as mandatory laws, and they reflect the shortcomings typical of this type of legislation: fragmentary in scope, ill-conceived and idiosyncratic provisions, unfair or irrational restrictions, unclear language and rigidity. The Copyright Act of 1911, while outdated in some respects, has survived the test of time overall. It is not by chance.

The Act was made up of three parts. Of these, the first part, which included articles 1 through 28 and dealt with copyrighted material in general, was the most important. Part II, articles 29 and 30 and entitled “International Copyrights,” dealt with foreign works. Part III, articles 31 through 35, contained supplemental provisions.

Publishing Rights

Publishing rights in Palestine fall under the Copyrights Laws for the years 1911 and 1924. According to these laws, protection remains applicable until 50 years after the death of the writer. The law also deals with counterfeiting and forced licensing and many similar procedural issues. Additionally, in 2005 a law for Publications and Publishing was issued that treats issues related to establishing newspapers and magazines, as well as regulating the publishing process.

It should be noted that these laws, despite the fact that they are outdated, still improve and protect economic capacity and competitiveness. However, the need still remains to update and amend these laws, and for that purpose the PNA continues to research the legal framework to achieve this objective; in addition to its efforts in drafting the law for intellectual property and other related rights.

Agency agreements


Types of Agents

Commercial Agent

Commercial Agent is a natural or body corporate that has the right in accordance with an agreement to sell, distribute or promote commodities and products or to provide services in Palestine for a producer or supplier against commission or a margin of profit.
Commercial Agency

It is a commercial contract between two parties or an agreement for selling, distributing, or promoting products or for providing services for the second party against commission or profit margin. The agency contract must include the following provisions:

1. Name, age, nationality, business name and place of residence of the agent and its registration number, in relation to a body corporate;
2. Name, age, nationality, business name and place of residence of the client; Addresses of the company’s principle place of business and addresses of notification in relation to both the agent and the client;
3. Date of commencement and duration of the agreement, which must include the entire parts of Palestine;
4. Products covered by the agreement;
5. Value of sale commission due to the commercial agent;
6. Commitments to provide adequate spare parts and the required maintenance for cars, machinery, engines, equipment or electrical and electronic appliances.
7. Rights and liabilities of the agent and the client with a statement showing the amount of profit or commission due to the agent against the agency.
8. Trademark of the commodity, service or patent.
9. Any other conditions agreed upon by the agent and the client.

Requirements and Procedures for Registration of Agents

Registration application

- A copy of the company's certificate of registration;
- A copy of the company's certificate of incorporation and company's bylaws;
- A trader's registration;
- A leasing contract;
- Copies of the partners' identity cards;
- Occupation license from the Property Tax Department at the Ministry of Finance;
- A quittance from the Income Tax and Value Added Tax Department;
- A certificate of registration with the appropriate Chamber of Commerce;
- An application for the registration of a commercial agent;
- Agent's fee (100 Jordanian Dinars).

Requirements for the Registration of Agencies

- Agency agreement authenticated in accordance with legal principles from the Chamber of Commerce in the concerned country and by the Embassy of Palestine in that country;

15 All registration processes for IPR and Agency are done at the Ministry of National Economy
• Agency agreement must be notarized and translated into Arabic if the original contract is in a foreign language;
• An application for the registration of agencies;
• Agency's fee (50 Jordanian Dinars).
With the establishment of the PNA in 1994, the Palestinian Monetary Authority (PMA) emerged, accompanied by the opportunity to open the Palestinian banking sector once again after a blockade that extended since 1967. Since then, the number of banks has been regularly increasing, reaching 17 banks with 232 branches and offices at the end of 2012, among them 7 local banks and 10 foreign banks. Among the foreign banks, 8 are Jordanian, one is Egyptian and one is owned by HSBC. Also, 2 of the local banks are Islamic banks.
The financial indicators of banks operating in Palestine for 2012 show an increase in total assets by the end of 2012 to about USD 10,044.5 million, and by 7.6 percent compared with the end of 2011. Credit facilities have also seen a remarkable increase of about USD 648.4 million, thereby achieving a growth of 18.3 percent from 2011, to amount to USD 4.2 billion by the end of 2012. This, in turn, meant increased activation of financial intermediation between surplus and deficit units in the economy by providing more funding opportunities, which will eventually contribute to economic development. Customer deposits reached USD 7.5 billion, increasing by 7.3 percent compared to 2011. Net equity of the banking system increased by 6.1 percent, to reach USD 1,256.5 million, as a result of increasing paid-up capital, which in turn increased banks’ ability to cope with expected and unexpected risks.

On the other hand, the PMA proceeded to strengthen its capital gradually in order to increase its capacity to overcome risks. The PMA’s equity grew by 3.2 percent, to reach USD 92.1 million by the end of 2012, as a result of increasing paid up capital by about 5 percent, and transferring annual profits to the equity account.

There is no national currency and so three different currencies are widely used in the West Bank and Gaza Strip; the Israeli Shekel in daily financial transactions, and the Jordanian Dinar and U.S. Dollar in savings and investments and for the purchase of durable goods. It is possible to make deposits and withdrawals from banks in any of these three currencies, in addition to the Euro.

**Palestinian Monetary Authority (PMA)**

PMA maintains monetary stability to promote investment and economic growth through

1. Development and employment of Monetary Policy designed to achieve price stability;
2. Effective and transparent regulation and supervision of Banks operating in Palestine;
3. Overseeing the implementation and operation of modern, efficient payment system;
4. Create a supportive legislative environment for sound judgment and risk management taking into consideration effectiveness, competition, and renewal of financial institution and markets that operates according to international standards;
5. Management of the Palestinian deposit insurance scheme;
6. Complete the procedures of issuing the central bank's law and the regulation for licensing and supervision of the specialized lending institutions (SLIs);
7. Prepare a detailed plan for issuing managing a currency that will be implemented once related conditions allow currency issuance;
8. Complete steps of transforming the PMA into a central bank, through enacting laws, regulations and instructions necessary for shifting into a central bank.
**Economic Sectors in Palestine**

**Industrial Sector**

**Leather and Shoe Industry**

Shoes and leather industry, which is mostly located in the vicinity of the city of Hebron, was one of the most lucrative in Palestine, with a highly competitive advantage in the local and export markets. The sector, which produced high quality products, is composed mainly of tanneries and shoemakers. These tanneries are the major supplier of raw materials to the shoe making industry, which produces casual shoes, tennis shoes, women’s and children’s slippers, and sandals, as well as hand and travel bags. Small portions of the tanned leather are used for clothing industry and as covers for furniture.

The industry started declining because of the very high level of competition in the market created by the entry of Chinese products, which received Most Favoured Nation (MFN) treatment because of China’s entry into the WTO. The industry depended on high quality natural leather and highly skilled workers, and had a large production capacity at about 13 million pairs of shoes per annum. The Palestinian shoe making was well known and capitalized on accumulated experience. The fact that all of these shoes were handmade was another salient, and highly valued feature of this industry.

Palestine and Israel were the most important markets for this industry. Subcontracting agreements were one of the main features of the industry in nineties. A small percentage of the products of this industry was directly exported to Jordan, Saudi Arabia and Germany and some of the products sold to Israel were re-exported under Israeli brand names to places such as the United States.

With minimal upgrading to the existing machinery, and capacity building in leather designing skills, and a new sales and promotional campaign, will be required for the 150 workshops and 10 tanneries currently operating, in order to increase international sales and to resume business relations with European markets. The leather and shoes industry has great production potential and lacks marketing and business linkages.

**Association**

The Sector is served by Palestinian Leather Industries Union, which represents 230 establishments and major firms working in this industry.

**Handicrafts**

Originally, handicraft products used to be sold locally to tourists and pilgrims who visit Palestine on religious Holidays such as Christmas.

---

16 All available data is from the Palestinian Federation of Industries 2010
The Handicraft Sector in Palestine is mainly concentrated in Bethlehem and Hebron with far less contribution from other cities. Due to the fact that the sector’s major companies and more than 80 percent of production units are located in Bethlehem and Hebron; with the majority of the businesses being family owned and run businesses. More than 40% of the handicraft production units were established before 1967, while 31% were established between 1968 and 1977 as a response to the increase in tourism demand on handicraft products.

**Embroidery:** is considered the main handicraft product and the most famous product related to Palestine both locally and internationally. Each Palestinian City has its own famous texture that is known and the majority of labor consists of household women who seek to improve their income.

The embroidery sub-sector has the largest number of informal businesses compared to all other sub sectors with the estimated ratio 1 to 10, thus making it extremely difficult to find statistical data on the sector. The number difference between the formal and informal segments in the embroidery sector is a result from the cultural norms were its not preferable for women to go out for work and hence it was substituted by such work which can be completed at home. As we move to the north of Palestine, in cities like Jenin, Tulkarem and Qalqelya, the number of women working in embroidery decrease since most women are more involved in agricultural activities. There were attempts by the chamber of commerce and several women organizations to regulate the sector through charging a very small registration fees (100 NIS) but it never succeeded.

**Olive Wood Carving:** it is only found in three main cities of Bethlehem (Bethlehem, Beit Jala and Beit Sahour) with each city specialized in certain designs. Most of the labor force working in this field is from men with the direct labor force estimated to reach 600 and 400 as indirect labor.

Olive woodcarving is considered sub-sector with the largest profit margin among all other handicraft sub-sectors. For instance, the production cost of a 15 cm nativity set is 4$ while it is sold for 15$. On the other hand a 1 m nativity set which need 5 working days by one labor cost 5000$ and is sold for $10,000 by the souvenir shops.

There are 95 registered wood carving workshops while the unregistered workshops are estimated to be 120 to 130 workshops. The cost of establishing a workshop can vary between $6,000 for small workshops to $50,000 for workshops with high production capacity

**Glass and Pottery:** mainly concentrated in Hebron with small number of workshops located in Jericho, Nablus and Ramallah.

**Mother of Pearl:** mainly located in Beit Sahour and it is dependent on the imported shells, which used to come from Australia and recently from New Zealand and India.

Even with the dependence of the sector on the incoming tourists, the export activities form part of the sector sales.
Moreover, Following is the Existing and Potential Markets according to PALTRADE Need Assessment Survey:

Table 2: Potential Export Markets for Handicraft Sector

<table>
<thead>
<tr>
<th>Handicraft Products</th>
<th>Existing Markets</th>
<th>Potential Markets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>UAE, Israel, Jordan, USA and Europe</td>
<td>Arab Countries, Israel, Germany and Sweden</td>
</tr>
</tbody>
</table>

**Stone and Marble**

The stone and marble industry is considered the largest industry in terms of number of firms, sales volume, and employment rate and total investment. In recent years, however, the industry showed a linear decline in production, sales and returns.

The total number of manufacturing firms is around 1200, and the total number of workers is estimated at 13,500 workers. The industry is spread over the West Bank but focused in the regions of Bethlehem and Hebron.

The stone and marble sector accounts for 4.5% of the Palestinian Gross National Product (GNP) and 5% to its Gross Domestic Product (GDP). Ninety five percent of raw materials come from local sources.\(^{17}\)

The most significant external market for Palestinian stone is neighboring Israel, which commands 65% of total sales, according to PCBS 2012 foreign trade report. The Local market is the second largest consumer, accounting for around one quarter (25%) of total sales. The Middle East region also constitutes a strong market with ever-increasing potential. This market is close to Palestine and is supported by existing distribution systems.\(^ {18}\)

\(^{17}\) PCBS, 2012

\(^{18}\) Ibid
Some leading Palestinian companies have successfully penetrated the American, South-East Asian and European markets. Overall, Palestinian stone has high export potential, and is similar to the marble currently sold in world markets with a variety of colors and characteristics.

Union of Stone and Marble

Established in 1996, the Union of Stone and Marble Industry in Palestine (USM) is an independent, non-governmental and non-profit membership-based organization dedicated to develop the stone industry and to promote the goals and to protect the needs of Palestinian stone and marble producers.

**Metal and Engineering**

A rough figure of firms working in this industry is estimated at 120. The average number of workers in the sector is estimated to be more than 1000 workers.

The sector is comprised of several diversified fields. These are: metal doors, aluminum profiles, iron and steel rods and drawing, welding and abrasive materials, nails and steel rods, metal furniture, scales, stone machinery, packaging machinery, lathing, agricultural machinery, municipal containers, kitchen wear, electric circuit boards and other specialized workshops.

Traditionally, the sector has experienced the export practices decades ago and still does. Welding materials and abrasives were the main exports. The opportunity still exists for more exports in to countries. Metal doors, stone machinery and packaging machinery are some major examples.

**Association**

The sector is served by an industry association, which represents 40 major firms working in the industry.

**Chemical Industry**

The estimated number of regulated companies working in the industry is 60, five in producing cosmetics, five in the production of paints and inks and the remaining are working in the detergents production. Some factories produce both detergents and cosmetics.

This sector is comprised of three major categories: paints and ink, detergents and cosmetics. Traditional olive oil soap products are sometimes categorized as traditional industries. A growing tendency in developing these products is being noticed.

There is an overlapping in industries, which produce both detergents and cosmetics and companies, which produce medicines, veterinary products, detergents and cosmetics.

Cosmetics are the most exported products of the industry. There is a potential for exporting some products of the industry. Markets like Jordan, Algeria, Gulf States and Yemen need to
be checked for export. But export has the prerequisites of standards, quality, certificates and promotion.

The local sales in the West Bank reach up to 74% of the total sales. There are no approximate figures of the share of cosmetics in the local market, whereas it is estimated at 40% for the detergents and 35% for the paints.

Association

An industry association that represents 60 major firms working in the industry serves the sector.

**Plastics**

This industry is distributed around the various parts of the West Bank with a focus on plastic pipes in Hebron and Ramallah. According to the sectors association records the total number of industrial facilities is 100 firms employing 1000 workers with a total average of 10 workers per firm. The working labor varies from 5 to 20 workers with an exception of 4 factories employing more than 50 workers.

The sector is comprised of wide range of products. These include; plastic pipes and fittings, sanitation fittings, plastic bags and sacks, different size and multipurpose plastic containers, drinking water containers, polystyrene, rubber and kitchen wear.

The industry is working at 50% of its total capacity and has great potential in developing and diversifying its products. Utilizing the industry’s waste properly has a dual positive impact on the total productivity of the firms and on the environment. The industry sales are distributed over the West Bank and Gaza Strip as the primary market and Israel as a secondary market. It is clear that local market is the core of this industry. Exports are rarely seen in this industry, but the industrialists feel that they can export to countries like Syria, Jordan and Iraq.

Association

The Palestinian Plastic Industries Union (PPIU) is a non-profit and membership-based organization established in 1997. It functions as an information-sharing body, as well as, an umbrella organization for issue-based advocacy, grassroots and coalition building. The PPIU represent more than 100 firms.

**Paper Industry**

This industry goes back to early parts of the last century. It has shown a great development after mid-nineties. The number of operating firms went up to 300 firms employing from 2 to 150 workers per firm. The active players in the industry are about 140 firms.

The sector composite includes: printing houses and presses, paper manufacturers (sanitation paper and diapers), newspapers, cardboard and carton box manufactures, bookbinders, pre and post print services and advertisement and promotion firms.
Quality improvement in the printing industry witnessed a big improvement in recent years. New technological advancements have eased processes but created a challenge towards increasing the level of quality. Severe competition among paper and printing firms created a tendency towards quality.

The industry is served by a technical school in Jerusalem, which produces graduates to work in the industry. Besides, the vast majority of machinery is of German origin, and hence a common similarity in competencies is available in the industry. Competition is high, but also the volume of work has tripled during the last fifteen years. Although the capacity is low in some firms, generally speaking the production capacity is at the highest among all other industries.

New large investments in the sector were seen in the cities of Nablus, Hebron and Ramallah.

Almost 90% of the market volume is Palestinian in the printing sector. However it is not the same case in the cardboard industry. One third of the Palestinian populations are school and university students. Their needs in terms of paper and related products are so high and local manufacturers largely fulfill it. The need for printed materials also increased at the other industry levels. The local demand for Newspapers, magazines and other media and promotional publications have increased. The printing of school text books have also raised the local demand for printing.

Association

The Palestinian federation of paper industry (PFPI) is a non-profit and membership-based organization established in 1997, functions as an information sharing body as well as an umbrella organization for issue-based advocacy, grassroots, and coalition building.

Textile and Garment

The sector is composed mainly of textile, garment and clothing production, dyeing, wool wear, and other accessories. The main feature of this sector is of a subcontracting nature. The sector has witnessed some advancement in the past towards achieving high quality products. Some are up to international standards. The accumulated experience of the sector, the abundant labor force, the ability to respond properly to the requests and needs of other producers and partners, and its keen understanding of manufacturing value chains in the industry contribute to the inherent advantages and opportunities of this sector.

The textile and garment sector used to be important industrial sector in Palestine, regarding employment, exports, and production/output, In addition, the textile and garment sector provides prospects for development and prosperity, should success factors be made available to it and opportunities seized. According to the industry association’s estimates the number of working firms in 2011 varies between 700 and 1000. Women are the major work force in this sector. The sector is spread all over the West Bank and represented by an industrial association. The Gaza Strip used to be a major hub of the textile and garment industry, especially in subcontracting for Israeli export firms. The closure on the Gaza Strip, however, has minimized the role of this industry in Gaza to focusing on the local market.

Currently, textile sector is facing competition as a result of the entrance of competitive products mainly from China and Turkey.
Association:

The Sector is served by two industry associations, Garment and Ready Wear Association, and Textile Manufacturing Association, which represent most establishments and major firms working in this industry.

**Pharmaceuticals**

Palestine's pharmaceutical industry is unique in terms of innovation and development. The industry developed after events in 1967 resulted in closed borders with the rest of the Arab world. Nine pharmacists in the West Bank established small laboratories to manufacture simple syrups for local consumption. Twenty-five years later, annual sales for the six largest manufacturers, in the West Bank, amount to more than $25 million.

The total annual value of Pharmaceutical supply in the Palestinian market is $65 million, whereby $25 Million of which is supplied by local manufacture, as mentioned previously, the balance of $40 million in sales is covered by foreign manufacturers. The gap between the local and imported pharmaceuticals in the markets is indicative of the high potential for investment in this sector. Foreign Direct investment is already very active in this sector due to its viability.

Key competitive factors include the introduction of automated production lines, improved management and production processes. Continuous training and quality control practices, have led to significant increases in local production and standards.

Palestinian pharmaceutical companies have expanded capacities and product lines at a rate of 7-10% per annum over the last 25 years. Product lines are focused on meeting the needs of the Palestinian market place. There are currently six major Palestinian companies with approx. $45 million in capital investment.

Association:

The Pharmaceutical Industry in Palestine is represented by the Union of Palestinian Pharmaceutical Manufacturers (UPPM), the umbrella organization in which all pharmaceutical companies are members. The UPPM was founded to represent the common business interests of all members, coordinate the industry's position on key legislative and regulatory issues, and promote the Palestinian pharmaceutical industry and its quality products worldwide.

**Veterinary Industry**

There are six veterinary medicines producing companies in the West Bank; 3 in Ramallah, 2 in Nablus and one in Hebron. In addition, two of the existing human pharmaceutical manufacturing companies in Ramallah have sections to produce veterinary medicines. That accumulates the whole number to eight factories in the West Bank.

The industry is not meeting its total production capacity. That is partially due to the market mechanisms and organizational considerations.
The industry produces about 25% varieties of the market demanded products. The market share for Palestinian products reaches up to 45% of the total consumption. The market of these products is mainly the West Bank 84%, Gaza Strip 7% and Jerusalem 9%. Before the last war on Gaza the sales to Gaza reached up to 30% of the total sales.

The high potential for export is expected to be to Jordan, Sudan, Saudi Arabia, Egypt, Yemen, Algeria and Ex-Soviet Union countries. Thorough investigation and diagnosis to these markets is needed.

Food & Beverage

The food and beverage sector has been one of the fastest growing sectors of the Palestinian economy. The Investment Encouragement Law eased restrictions on new businesses in 1998 and as a result, the sector has become a major attraction for investment.

The food sector is growing rapidly both vertically and horizontally. The official figures of the sector indicate that there are more than 224 manufacturing firms, excluding bakeries, 152 of them are active members of the Food Industries Association, which is a strong association. The Sector includes the large-scale milk cow farms (>50 cows). The large number of female cooperatives working in the food processing sector and traditional sweets and confectionary makers are not included.

The sector is comprised of a wide variety of products. These include, Meats, Vegetables (fresh and frozen), Oils and fats, Dairy, Flour mills, Animal feed, Chocolates and confectionaries, Pasta, Water and soft drinks and beverages, Chips and snacks and others.

Palestine offers a business friendly environment in which to either start or expand a business in the food and beverage industry for a number of reasons:

- Strategic location in the region
- An Investment Encouragement Law, which provides generous incentives to facilitate the growth & expansion of businesses in Palestine.
- The availability of an experienced work force
- The implementation of international treaties and Free Trade Agreements with major industrial countries

Manufacturing plants in this sub-sector are modernly equipped, most of them semi- or fully automated. A large percentage of the existing food & beverage manufacturing plants are certified with versions of ISO and HACCP in addition 95% of foodstuffs are covered by the technical specifications of the Palestinian standards, which are relatively close to European Standards.

Association

The Palestinian Food Industries Association (PFIA) that was established in 1995 leads the sector. PFIA currently represents 167 company members. PFIA conducts a number of activities aimed at promoting and improving locally made products, offering management and marketing skills training and finally providing assistance for company members in opening export markets.
Agricultural Sector

Palestine has traditionally been renowned for high quality agricultural production, with a variety of seasons and climatic regions (coastal plains in Gaza and the Jordan Valley region, which is warm most of the year) with production seasons that meet the requirements of colder markets at off seasons. Today this sector remains an important one for the economy as a whole. While imports are still important, Palestine is largely agriculturally self-sufficient.

According to the definitions of the Ministry of Agriculture, Palestine is comprised of five agro-ecological zones.

1. The coastal plain zone (Gaza Strip): This zone extends from north to south on the southeastern shores of the Mediterranean Sea and is dubbed the “Fish basket” of Palestine.

2. The semi-coastal zone (north-western corner of the West Bank): This area receives the most annual rainfall.

3. The middle elevation zone extending from Jenin-north to south Hebron.

4. The steppe zone extends from eastern Jenin to the Dead Sea in the south and is considered range-land.

5. The Ghor (western Jordan Valley) zone.

Climate & Geography & Agriculture

The geographic and climate diversity in Palestine, which overcame the small size of the land, allows for a relatively wide range of agricultural products. The variability in climate is high, and this allows for the production of vegetables year-round. In addition, the high level of mechanization in the Palestinian Agriculture sector (particularly in green houses, land preparation irrigation and pesticide spraying) improves production efficiency.

The warm winter months in the Ghor (Jordan Valley) area allows for the production of winter vegetables while the moderate summer climate in the mountains and coastal areas allows for the production of vegetables. The use of greenhouses further permits year round vegetable production.

Sales and Market Share

There are very strong links between the Israeli and Palestinian agricultural markets. Israeli fruit, potato, and onion producers, packers and wholesalers have very efficient links to West
Bank and Gaza wholesale markets. The West Bank and Gaza fruit and vegetable distribution is done primarily through lower cost farmers’ markets and through local retailers. The West Bank and Gaza supply the Israeli market with crops such as tomatoes, cucumbers, zucchini, eggplant, green peppers and guavas. Some high value added products such as strawberries and flowers are also supplied to the Israeli market for *re-export*.

**Local and International Markets**

The agricultural trade patterns for Palestine represent a unique case in the Palestinian economy. While imports are still higher than exports the latter remained to be a significant contributor to total Palestinian exports.

Despite this, some Palestinian growers are shifting their production to higher value added products such as flowers, strawberries and cherry tomatoes in order to be more competitive in the global market place. Gaza Strawberries are available as early as November. The highest prices in the European market for strawberries are during the months of November to January.

Another exportable product is cut flowers. This is a relatively new industry (introduced in 1990) and is primarily located in the Gaza Strip. Despite its relative infancy, the industry has grown significantly. By 1996 annual production had reached to more than 70 million stems, all being exported to the European market.

Considering that the Palestinian national strategy emphasize on the importance of trade diversification and opening new markets to the Palestinian exports, the PNA has succeeded in completing many steps that further support the entrance of the Palestinian exports to the different markets in EU. The PNA was successful in negotiating an EU initiative, which would allow for the duty free / quota free entry of Palestinian agricultural and agro-industrial products into the EU. The PA has also worked on the marketing side of the trade with EU through promoting the economic viability and inward investment by encouraging the establishment of private companies for the marketing of agricultural products and the regulation of the national agricultural market to safeguard against unfair and anti-competitive market practices.

The private sector and government have been supportive in the establishment of unions and specialized boards that provide agricultural and extension services to farmers, in addition, intensive programs for land reclamation and rehabilitation, construction of agricultural roads, and introduction of water collection wells.

**Services Sector**

**Construction**

It is roughly estimated that the total number of industrial firms working in this sector is 350 working facilities regardless the size of the enterprise and the field of specialty. Whereas the sector is distributed all over the West Bank, the average existing life of industry is 15 years.
This industry is mostly composed of five major fields and hence product types. These are ready mix concrete, bricks, stone crushers, asphalt products, cement precast manholes, cement pipes, carpe stone and cement tiles. The total utilized capacity of this sector is estimated to be at 45%. Whereas, the average employed labor force is estimated at 22 workers per firm.

Construction is a cluster with strong growth potential and readiness for collective action and with above-average performance on key factors related to West Bank and Gaza circumstances. Its strong growth potential ratings are based not only on global forecasts but also on the local context, which includes a diversified product and service base. Likewise, the past collaboration of its firms and support institutions translate into relationships that should propel fruitful and immediate coordinated activities. With history of labor absorption reaching more than one-fifth of workforce, construction is positioned to resume its vital role in job creation.

The industry’s main market is the West Bank. It comprises 73% of the total market share. Whereas, Israeli construction products constitute 23% of the market, and the remaining is sold in Gaza markets. It is obvious that the industry does not export any of its products; it is a heavy transport costing industry. Jordan could represent a potential country for export because of proximity, but the whole costs and requirements need to be checked.

**Information Communication Technology Sector**

Information technology is the fastest growing sector of the Palestinian economy. The existence of an educated labor pool, Palestine's geographic proximity to, and cooperation with high technology centers in Israel are three factors that have greatly contributed to the sector's expansion.

Palestinian universities are capitalizing on the worldwide shortage of IT specialists by providing a strong emphasis on IT training in their curriculums. Sun Microsystems, for example, has donated laboratories to three Palestinian universities in order to train IT students. A number of universities in Palestine have established Information Technology Units. The objective is to provide a specialized curriculum emphasizing areas that will be critical to the emerging Palestinian state. These units seek to graduate students already well versed in the special needs of ministries, municipalities, telecommunications companies, as well as banking and finance entities

A commitment to international quality standards, such as CMM and ISO, and supportive international trade agreements, are key reasons for why leading names such as IDS, Oracle, 3Com and Timex have chosen to establish offices, R&D operations or links in Palestine.

The largest concentration of IT companies has developed in Ramallah and Gaza. The IT sector has also established a significant presence in other locations such as Jerusalem, Nablus and Bethlehem.

**Types of IT Companies represented**

- Application Software Companies
- Professional IT Consulting Service Providers
- Professional Network Service Suppliers
- Software and Solution Development Companies
- Internet Service Providers
- Professional and Technical Training Providers
- Suppliers of Computing & Telecommunications equipment

Palestinian Information Technology Association of Companies (PITA)

The Palestinian Information Technology Association of Companies (PITA) was founded in Ramallah, Palestine in early 1999. It is a not-for-profit, membership-based organization for locally registered companies working in the IT sector. The association represents 150 companies from various sub-sectors including hardware distributors, software development and outsourcing firms, networking and communication providers, Internet service providers, telecommunication, IT consulting, IT training, office automation vendors and related businesses.

The Palestine Information and Communications Technology Incubator (PICTI)

An independent Palestinian organization that has been created through the initiative and support of the Palestinian information technology community. PICTI and its partner organizations, including PITA and PalTrade, have as their missions the revitalization and the sustainable growth of the Information Communication Technology (ICT) sector in Palestine.

The strategic core component of PICTI is an Incubator facility that offers professional business services to Palestinian entrepreneurs who have mature concepts for unique and innovative ICT products assessed to have strong market potential. The key competitive advantages of PICTI include its governance structure that provides access to economic clusters, its dedicated staff with incubation know-how, its clients and pipeline of entrepreneurial ideas, and an initiative underway to structure a seed fund for the benefit of pre-revenue start-up companies incubated at PICTI. PICTI aims to develop the Palestinian Micro, Small and Medium Enterprises (MSME) as well as high growth model sector as a mean to generate new jobs, attract foreign investment and improve the economic situation in Palestine.

Palestine today has all the elements necessary to support ICT business, including international banking and auditing firms, investment-friendly and foreign ownership laws, and a modern 100% digital telecommunication infrastructure. Palestine benefits from an organized ICT private sector led by the Palestinian Information Technology Association, and government commitment to ICT sector development.
Tourism sector

Palestine not only provides tourists with an opportunity to bask in the glow of its many religious and historical monuments, but it also provides them with a unique geography and very favorable weather year-round, in which to enjoy their vacation.

A holiday in Palestine, however, is not limited to religious, historic and archeological aspects. Palestine also has coastal areas and scenic mountainous landscapes to offer, in addition to what is known as the Al-Aghwar or the “Jordan Valley”, which includes the historic city of Jericho and the Dead Sea area. There are several health resorts and recreational facilities in the Jericho/Dead Sea area. A five-star international hotel was erected in the 1990s (InterContinental).

Major Palestinian investors are poised to launch a world-class theme park when political stability returns. Cultural heritage, entertainment and recreational opportunities, and conference facilities are all available in Palestine for our local, regional, and international tourists and businesspersons.

It is estimated that nearly 3.8 million tourists visited Palestine in the year 2013, generating approximately $950 million in revenue. The contribution of the tourism sector to the Palestinian national economy is larger than either the industrial or agricultural sectors.

Tourism Sub-Sectors

The hotel industry constitutes the backbone of the Palestinian tourism sector in terms of income, investment & employment. This sub-sector contributes approximately 25% of total tourism revenues and generates around 46% of total tourism-oriented employment. Substantial development in the hotel industry has been accompanied by a tangible increase in the level of provided services. The entry of international brand names such as the InterContinental and Movenpick chain to the hotel industry in Palestine has added significant value to the growth prospects of this industry.

Other sub-sectors within the Tourism industry range from tour guides and tour operator services, to transportation companies and handicrafts, in addition to souvenir shops and dining establishments.

Health Sector

The approximately 4.2 million Palestinians living in occupied Palestine are in the middle of epidemiological and demographic transitions. Four main providers are responsible for primary, secondary, and tertiary health care: the Palestinian Ministry of Health, Palestinian non-governmental organizations, the UN Relief and Works Agency, and the private sector. Health services are financed through a mixture of taxes, health insurance premiums and co-payments, out-of-pocket payments, local community financial and in-kind donations, and loans and grants from the international community (including the UN Relief and Works Agency). A review of the health sector estimates that total health expenditure in 2013 was $363 million, reaching around 3% of gross domestic product (GDP).

Health, nutrition, and population indicators suggest that occupied Palestine is doing well compared with many countries in the region. Moreover, more than 95% of women receive
some form of antenatal care, deliver in health institutions, and receive regular immunization. Coverage of health services is almost universal, (>95%), however, socioeconomic and regional inequalities persist, especially if the comparison is between the West Bank and the Gaza Strip.

**Education Sector**

**Organizational Structure of Palestinian Education**

The formal system of Palestinian education supervised by the Ministry of Education and Higher Education (MoEHE), consists of three stages: pre-school education, school education (basic and secondary), and tertiary education. In addition, there is the non-formal education, which is mostly related to school education.

School education, lasts for 12 years starting at grade 1 and ending at grade 12. Children are accepted in the first elementary grade at age six. School education (General Education) is divided into two cycles:

- Compulsory basic education cycle: grades 1-9.
- Secondary education cycle: grades 10-12
- Non-formal education:
  - Literacy and Adult Education
  - Parallel Education: program for out-of school youth, aged 15-20 years, who dropped out of formal schooling
  - Courses in private centers: short courses in special “cultural” centers or within the private sector

**Governance of Educational Institutions**

There are four types of educational institutions (pre-schools, schools and higher education institutions and Vocational Training), which fall into one of three categories of service providers:

- **Governmental**
- **UNRWA** The United Nations Relief and Works Agency (UNRWA) for Palestine Refugees
- **Private** Most of higher education institutions (universities) are non-profit institutions. They fundraise and receive government funding as well. The majority of universities are of this type.
**Economic opportunities per sector**

The Palestinian economy is, and has been for quite some time operating below potential capacity. Once the political situation improves and stability is achieved, the economy is expected to move ahead and regain ground lost in the last three decades. At such a time, considerable growth will occur in numerous sectors. This prediction is far from unfounded, it is a realistic expectation given the way the economy performed during the periods of relative calm in the 1990s in the West Bank and Gaza Strip, and in the West Bank in 2008 to 2012. Economic activity in every sector responded rapidly to the partial improvement in the security situation during those periods. It also responded to the extent that GDP was able to grow at approximately 10 percent. Following is a brief description of expected growth sectors in the event of a breakthrough in the political situation.

**The Construction Sector**

Naturally, the reconstruction program will start with the improvement and re-construction of physical infrastructure and public institutions that were damaged over the past few years. Building of Hotels, restaurants and recreational sites will be needed to revive the tourism sector, which has been almost stagnant over the past ten years with some growth starting from 2009. In addition, building residential houses is likely to increase to accommodate the natural increase in population, the rehabilitation of refugee camps and the expected flow of Palestinian returnees. Some very large-scale housing projects, which constitute foreign direct investment, have already started, such as Rawabi and Rihan, which are considered to be new cities in the West Bank. Thus, the sector will offer an unprecedented opportunity for investment.

**The Agricultural Sector**

There are tremendous opportunities within the agricultural and agri-business sector, which may be tapped into for new investments, and which will in turn boost employment and business and export opportunities. The sector will witness substantial expansion as a result of the expected expansion in the production of food to accommodate increases in income and population for two main reasons: The first is due to new spending on infrastructure and public institutions and the second occurs from the natural increase in population and the expected flow of Palestinian returnees. The potential of increased exports in this sector, due to the duty free, quota free agreement with the EU, which entered into force in January 2012, is indicative of this high potential.

For certain food items, supply could increase automatically as unused capacity is utilized. Supply, however, will be inadequate in other items, where there is little or no local production and where shortages are already evident. Investments in such items as wheat, seed oil and sugar would have very good returns. The other reason for the expected expansion in the agriculture sector is the very profitable prospect of regaining the lost share of Palestinian cash crops in foreign markets, including exports to Israel. The major exported crops are citrus, olives, olive oil, vegetables, flowers, strawberries, and medicinal herbs. These items continue to be exported to, and through, Israel suggesting that they are competitive and capable of regaining their old share in neighboring markets, given suitable investment in export facilities. The infrastructure was rehabilitated and agricultural services were improved with better external marketing prospects. It is worth mentioning that there are abundant agricultural domains where investment is possible, such as cut flowers and
roses, fattening calves and sheep, production of improved rams, improved export crops, palms and dates, slaughterhouses, processing of agricultural products and others.

There is also an ever-increasing international interest in Palestinian food security to be funded by international donors. The considerable global increase in food prices provides a large opportunity to develop the agricultural sector in the West Bank and Gaza Strip. Local, official and civil society efforts can be utilized to facilitate the move towards more profitable agricultural projects by the technical assistance given from the donor community. In particular, certified GLOBALGAP Palestinian farmers are qualified to produce food to international export standards. This assistance contributes to the development of the potential productivity of the Palestinian agricultural sector. The agricultural sector awaits strategic partners with expertise in international marketing networks to coordinate with.

**The Manufacturing Sector**

The expansion of the construction and the agricultural sectors will require an expansion of the manufacturing sector. Construction of infrastructure, and new “mega” housing projects will increase the demand for building materials substantially, especially cement, concrete, asphalt, crushed stones, aluminum, iron and steel rods. The PNA has a great incentive to encourage domestic production to meet this increased demand so that a shortage of foreign exchange is avoided. At the same time, the expansion in agriculture will require a parallel expansion in agro-industries as an outlet for agricultural surpluses and a supplier of processed food.

Accordingly, the manufacturing sector is expected to grow at a rate similar to the overall growth rate of the economy. This provides a great opportunity for investing in stone and marble, textiles, leather, pharmaceuticals, in addition to agro-industries and building materials industries. The expected expansion in the services sector, especially financial services and the modernization of construction, offer another great opportunity for investing in industries employing highly skilled labor and using advanced technology, like engineering designs, electronics and ICT.

**The Tourism Sector**

With an improvement in the security situation, the tourism industry has the potential of becoming an important growth sector. In the early 1990s, the World Bank estimated “that given political stability, the Palestinian tourism industry can expect to receive between 500,000 and 1,000,000 tourists (both religious and recreational) on an annual basis, generating income in the entire tourism sector of US$250-300 million”. The Palestinian tourism sector has realized and surpassed this target, with approximately 3.8 million tourists in 2013, and an overall income from tourism that surpassed the $950 million. Domestic and foreign investments have a great opportunity to modernize the sector and expand its scope. This may include a range of activities, such as marketing, trade fairs and conferences on various cultural and historical issues, festivals and exhibitions.

**The Information and Communication Technology Sector**
Palestinian human capital is sufficient to attract considerable new investment into the information technology sector. The attraction of new technology within the Palestinian industry depends mainly on a number of factors, the most important of which are: the low cost of relevant technology, the economic feasibility of exporting ICT products/services and the potential utilization of such products/services in Palestinian industrial enterprises. It is expected that the economic recovery and the expansion of the various economic sectors will provide good opportunities for the private sector to invest in information and communication technology. A good example of the potential of the sector is Al-Wataniya Mobile, which is a foreign and local investment as the second cellular phone operator in Palestine.

**Education Sector**

The Palestinian National Plan supports the education sector and reinforces its main role in building the Palestinian economy, including various projects to improve the quality of education in Palestine. Despite the noted development in the education sector in terms of the numbers of students and schools, the two shifts system - morning and evening - is still common in a number of Palestinian governorates. Additionally, the public sector has been incapable of responding to the growing demand for education in light of the enormous increase in education enrollments each year. That is why the PNA is encouraging private investment to establish private schools that can provide higher quality education. This represents an excellent opportunity for private investment in this sector.

**Health Sector**

As for the health sector, it suffers from the problem of incomprehensive medical services, which in turn drains the general budget and the wealth of individuals who feel they must seek treatment abroad. With the large budget dedicated to health services, and with the support of a rapidly growing insurance sector in Palestine, there are real opportunities for the establishment of specialized hospitals and clinics for the treatment of diseases such as cancer and facilities for the treatment of ophthalmic and heart conditions in addition to health facilities that provide high quality services.
Business and investment environment

**Investment incentives & Protection**

**The Investment Promotion Law**

Terms of the Investment Promotion Law are very competitive when compared with similar regimes in the region and the world. The Palestinian private sector and its representative business organizations are making a concerted effort to capitalize on the benefits provided through this law. The following are the Investment incentives provided by the Palestinian Government:

1. Income tax of zero (0%) for the agricultural projects whose income is being directly generated from land cultivation or livestock.
2. Income tax of (5%) for a period of five years commencing from the date of realizing profit but not exceeding four years, whichever is earlier.
3. Income tax of (10%) for a period of three years commencing from the end of the first phase. It will be, thereafter, calculated based on the applicable and in effect percentages and segments.

The sectors and businesses that can benefit from the exemptions provided by the law, according to the 2014 amendments, are:

a. The industrial sector.
b. The tourism sector.
c. The new projects within any sector that employ at least twenty-five workers during the period of benefit.
d. The projects that increase their production exports ratio for more than (40%).
e. The projects, within any sector, which approximately use (70%) of the local content (machinery and raw materials).
f. Any existing project that adds new twenty-five workers to the number of the already existing workers.
g. Developmental expansions of an existing project which comply with the criteria shall benefit from the incentives based on the development percentage of the paid-in capital but not including the value of the land.
h. The projects that have been granted benefits within the incentive package contract regulations, including the quality projects that are rendering a service or value that complies with special criteria or meet international environment conditions, or alternative energy services or projects located within areas of developmental priorities.

The PNA implemented the Investment Promotion Law No.1 of 1998 and amendments were introduced in 2011 and 2014, to encourage investment in a systematic, equitable and transparent way. The Law comprises several guarantees and incentives:
1. The PNA guarantees, for all Palestinian and non-Palestinian investors, unrestricted movement of all their financial resources, including capital, profits, dividends, capital gains, wages, benefits, debt payments, administrative fees, technical assistance and compensation for the cancellation of licenses and any other kind of financial Resources outside Palestine (Article 11 of the Original Law). Insolvency, Bankruptcy in Palestine or pending legal proceedings under Palestinian Laws are an exception, and can only be undertaken after due legal process.

2. The project’s fixed assets are exempted from taxes and customs under the condition the assets are brought in for the project. (Article 22 of the Original Law)

3. The project’s imported spare parts are exempted from taxes and customs, provided that its value does not formulate more than 15% of the value of fixed assets that were brought in for the project. (Article 22 of the Original Law).

The Investment Law aims to achieve the development objectives and priorities in Palestine by promoting investment through establishing the Palestine Investment Promotion Agency (PIPA), as an institution responsible for encouraging and promoting investment in Palestine. PIPA, whose board of directors consists of both public and private sector representatives to insure that both social responsibility is maintained and private sector interests are not affected, is responsible for providing guarantees to all investors and investments operating in Palestine, as well as granting the incentives to investors and providing the appropriate environment for encouraging investment in Palestine. The law guarantees no discrimination between foreign and local investment and protects all investments against any future laws. The Law expressly prohibits the nationalization of any Investments in Palestine and the government may not expropriate any investment.

---

**Multilateral investment Guarantee Agency (MIGA)**

In November 2008, the PNA signed an agreement with the World Bank that provides for guarantees to local and foreign investments in the West Bank and Gaza in the form of insurance. An Investment Guarantees Fund was established within this project to offer investors guarantees that they would still be able to reclaim their investments in case the security situation deteriorated, or if they were unable to complete their investment projects due to non-commercial risks. The European Investment Bank, the Japanese Government and the PNA funded this project. The fund is administered by the Multilateral Investment Guarantee Agency (MIGA), a member of the World Bank Group specializing in the field of political risk insurance. MIGA covers the following risks:

---

19 http://www.miga.org/documents/westbankgazaTF.pdf
Currency Inconvertibility and Transfer Restriction

Protects against losses arising from an investor’s inability to legally convert local currency (capital, interest, principal, profits, royalties, and other remittances) into hard currency (Dollar, Euro or Yen...Etc.) and/or to transfer hard currency outside the host country where such a situation results from a government action or failure to act. Currency depreciation is not covered. In the event of a claim, MIGA pays compensation in the hard currency specified in the contract of guarantee.

Expropriation

Protects against losses arising from certain government actions that may reduce or eliminate ownership of, control over, or rights to the insured investment. In addition to outright nationalization and confiscation, “creeping” expropriation—a series of acts that, over time, have an expropriator effect—is also covered. Coverage is available on a limited basis for partial expropriation (e.g., confiscation of funds or tangible assets).

Political risk insurance

MIGA provides political risk insurance (guarantees) for projects in a broad range of sectors in developing member countries, covering all regions of the world.

The European Palestinian Credit Guarantee Fund (EPCGF)

This EPCGF was established in 2005 with an initial capital of EUR 29 million, supported by the European Commission, Germany and the European Investment Bank. The fund aims to help SMEs in Palestine to overcome credit difficulties. The project also encourages partner banks to approach smaller companies and companies that otherwise could be ruled out from qualifying for credit extension. The EPCGF has signed agreements with nine banks and 2 microfinance institutions working in Palestine to implement the credit guarantee program, which include: the Arab Bank, Bank of Palestine, Cairo Amman Bank, Bank of Jordan, Arab Islamic Bank, Housing Bank for Trade and Finance, Jordan Ahli Bank, the National Bank, and Jordanian Kuwaiti Bank. The microfinance institutions are Faten and Reef. More than 3,000 loans were granted to SMEs by 2013, with a value of US$104 million.

The Loan Guarantee Facility (LGF) for SMEs

At the end of May 2007, the Palestine Investment Fund (PIF) launched a partnership with the Overseas Private Investment Corporation (OPIC) and the Middle East Investment Initiative (MEII), which established the Loan Guarantee Facility Project (LGF) for SME loans. Through this project, PIF and its partners provides banks working in Palestine with guarantees to encourage them to grant loans to small and medium-size enterprises.

20 http://www.cgf-palestine.com/

21 http://www.meiinitiative.org/?TemplateId=info&PageId=36&MenuId=22&Lang=1
throughout Palestine. The LGF provides SMEs with greater access to funding, which in turn helps facilitate their growth.

As of end of March, 2013:

- 771 loans in the amount of $141,041,295 were processed by LGF.
- 558 loans totaling $93,586,361 were approved.
- 213 loans totaling $47,454,934 were rejected by LGF or withdrawn by the banks.
- 467 loans were partially or fully disbursed for a total disbursed amount of $81,537,566.
- 85 loans in the amount of $9,383,809 were subsequently cancelled mainly due to borrower failure to draw on the loan, and 4 loans totaling $290,000 were actually disbursed but subsequently cancelled by LGF due to non-compliance by the bank with LGF terms and conditions.
- 216 loans were fully repaid in the amount of $38,942,484.
- 18 Demands for Payment in the amount of $1,742,803 were paid resulting in a cumulative loss of 2.1%.
- The LGF portfolio (outstanding and committed loans) consisted of 253 loans in the amount of $27,134,206.
- 6 loans in the amount of $2,390,950 are pending disbursement as soon as respective borrower conditions precedent have been fulfilled.
- 6 loans totaling $1,270,620 were in various stages of processing (pipeline).

---

**Political Risk Insurance in Partnership with OPIC**

In 2005, President Bill Clinton initiated the Palestinian Political Risk Insurance (PPRI). Within PPRI a number of experts in the domain of administration, insurance and politics started forming mechanisms and tools for promoting the development of the Palestinian economy.

Furthermore, it protects against losses resulting from trade disruption and political violence and allows businesses to benefit from investment potential in Palestine. PPRI established a funding committee from the private and public sectors, the Special Investments Committee and the Middle East Investment Initiative (MEII). The MEII launched a credit program with more than US$160 Million in July 2007 in Ramallah.

In addition, the National Insurance Company (NIC), a local Palestinian insurance company based in Ramallah, signed an agreement with OPIC and MEII in May 2008 to create a new form of insurance called Palestinian Political Risk Insurance, covering the Palestinian exporters sector. Palestinian exporters were compensated for their losses and fines accruing from their inability to deliver their goods, due to Israeli restrictions on movement. Exporters were eligible for insurance services at affordable prices covering shipped goods or vulnerable properties.
**French Loan/Grant**

In the framework of the Financial Protocol, signed between the French Government and the Palestinian government on April 8th, 2010, a grant of 5 million Euros was allocated to the promotion of Palestinian privately-owned local companies with a priority for projects in the Industrial Zone of Bethlehem.

This French Grant is directed to Palestinian privately-owned companies as a financial support for their development. The grant is used to encourage the establishment of new companies in the fields of industry, tourism, agriculture and services, or the modernization and the strengthening of existing private Palestinian companies. The French Grant is set up to facilitate the financing of small and medium-sized projects.

Range of Grants Limits per each eligible private Palestinian company / project, which represents 35% of external financing, will be between Euro 35,000 to Euro 500,000 maximum. Interest rates will be determined on market competitive basis monitored by the Joint Palestinian French Steering Committee. Grace Period: one year.

Accredited Local Banks: Arab Bank, Egyptian Arab Land Bank, Bank Of Palestine, Cairo Amman Bank, Quds Bank.

**Italian Loan**

The Italian Ministry of Foreign Affair on behalf of the Republic of Italy and the Palestinian Liberal Organization for the Benefit of the Palestinian Government represented by the Ministry of Finance (MoF) has signed an agreement on 22 July 2004 entitled "Private Sector Development Programme to Support Small and Medium Enterprises (SMEs) through the Palestinian Banking System" in the value of Euro 25 million soft loan.

A Financial Agreement was signed on May 5, 2005 between the Palestinian Ministry of Finance and the Artigiancassa S.p.A., which is the financial institution in charge of administering, on behalf of the Ministry of Economics and Finance (MOEF) of the Republic of Italy, the Revolving Fund for Development Cooperation, and has been entrusted by the MOEF of the Republic of Italy with full power to administer the above mentioned Financial Agreement.

Ministry of Finance signed Framework On-lending Agreement on June 3 2010 with four eligible Palestine Private Banks to operate this credit line in accordance to agreements with the Italian Government. The on-lending agreements between Ministry of Finance and banks became effective on October 2010 after fulfilling all related administrative and legal matters, most importantly the endorsement decision of The Palestinian Council of Ministers.

Program Overall Objective: The Italian Credit Line aims to providing soft loans for Palestinian small and medium enterprises to finance purchasing equipment and services of Italian origin.
to develop their current production lines or to introduce new production lines within the sectors of industry and the food processing and agricultural industry, and related services to those sectors.

The total aggregate price of the Supply Contracts, for which a Loan is requested, must be relevant to goods and services of Italian origin for a quota not lower than 70% (seventy per cent). The remaining 30% (thirty per cent) of the total aggregate price of the Supply Contracts can be related to the supply of goods and services (or construction work) of international or local origin.

The Supply Contracts must not include: (i) goods and services related, directly or indirectly to military activities, (ii) luxury items and, (iii) goods that are not in conformity to the international rules on environmental protection and on workers’ safety, (iv) settlements’ products and services.

Sector Allocation: Loans will be made to the following Palestinian economic sectors:

- Group I: manufacturing industry.
- Group II: agriculture and agro-industry.
- Group III: related services.


**Taxation**

*Corporate taxation:*

Residence – A corporation is resident if it is incorporated in Palestine or managed and controlled in Palestine.

Basis – Residents and legal entities, including branches of foreign entities, are taxed on their taxable income in Palestine computed in accordance with the tax law.

Taxable income – Corporate tax is imposed on a company’s net profits, which consist of business/trading income, rental fees of real estate, and income earned on capital growth (except for dividends received from resident companies) and 75% of the gains realized from trading in equity securities and bonds. Taxable income of resident persons and companies includes foreign income derived from their funds or deposits in Palestine.

Taxable income is computed on an accrual basis, except for interest and commissions on doubtful debts of financial institutions, which are taxable on a cash basis. Taxable income of certain professions is computed on a cash basis in accordance with directives issued by the tax director.

Taxation of dividends – Dividends received from resident entities are exempt from tax.
Capital gains – Capital gains are taxed at regular rates; however, 25% of the capital gains derived from the sale of investments in equity securities and bonds is exempt.

Losses – Taxable losses may be carried forward for five years, but may not be carried back. Taxable losses do not include unrealized losses from revaluations or losses arising from transactions originally tax exempt. The law is silent with regard to revaluation gains; however, the general practice of the tax department is to exempt revaluation gains.

Rate – The corporate tax for resident and nonresident entities is 15% on net income up to NIS 125,000, and 20% on net income in excess of that amount.

The general tax rules apply to insurance companies as financial institutions, except that life insurance premiums are taxed at a flat rate of 5% of premiums.

Incentives – Certain entities are granted tax incentives if approved by the agency for the encouragement of investment. Incentives are in the form of tax rate reductions for specified periods of time.

**Withholding tax:**

**Dividends** – Withholding tax is not levied on dividends distributed by a resident entity.

**Interest** – Interest paid to a resident or nonresident is subject to a 5% withholding tax.

**Royalties** – Royalties paid to a resident are subject to a 5% withholding tax. The rate is 10% for payments to a nonresident.

**Technical service fees** – Payments made as technical service fees are subject to a 10% withholding tax.

**Branch remittance tax** – No Other taxes on corporations:

**Capital duty** – No

**Payroll tax** – There is no payroll tax on corporations. Salaries are taxed at the level of the individual.

**Real property tax** – Tax on property is levied at a rate of 17% of the assessed value of rental income.

**Anti-avoidance rules:**

Disclosure requirements – The following documents should be attached to the income tax returns of incorporated entities: audited financial statements and related notes; and reconciliation between financial income and taxable income approved by a licensed auditor.
Administration and compliance:

Tax year – The tax year generally is the calendar year. Approval must be obtained to use a fiscal year.

Consolidated returns – Consolidated returns are not permitted; each company must file a separate tax return.

Filing requirements – A self-assessment regime applies. Advance payment on account of tax liabilities for the year must be made, and the timing and incentives for early payment are determined based on directives issued by the Minister of Finance.

The tax return must be filed within four months of the end of the tax year. If the tax return is filed within one month of the end of the tax year, a discount of 4% is given on the balance of tax as per the self-assessment (after deducting tax advances made on which a discount was previously given), or a discount of 2% is given if the tax return is submitted during the second or third month after the end of the year.

Penalties – A penalty equal to 3% of the tax liability per month, up to a maximum of 20%, is imposed for the late payment of tax. The minimum penalty is NIS 3,000 for corporations. Penalties at 2% per month also apply for the late payment of payroll and withholding tax.

Personal taxation:

Basis – Palestinian residents and nonresidents are taxed only on income sourced in Palestine.

Residence – Residence may be established as follows: (1) a Palestinian individual who has resided and maintained his/her principal business activities in Palestine for 120 days during the year; or (2) a non-Palestinian individual who has resided in and had a principal business activity in Palestine for 183 days during the year.

Filing status – Each individual must file a return; joint filing is not permitted unless approved by the tax department.

Taxable income – Taxable income comprises income from all sources (unless specifically exempt by law), less allowable expenses incurred in the production of the income and the standard deduction (see under “Deductions and allowances”).

Capital gains – Capital gains are taxed at regular rates; however, 25% of the capital gains derived from the sale of investments in equity securities and bonds is exempt.

Deductions and allowances – Individual income is reduced by a standard deduction of NIS 30,000 per year. There is a one-time deduction of NIS 30,000 for the purchase of a residence, or NIS 4,000 per year in interest deductions on a home mortgage for a maximum period of 10 years. A university education deduction of NIS 6,000 per year is granted for up to two dependents in university. Up to 10% of an individual’s salary is tax-exempt as a transportation cost.
Rates – Individual income tax is charged at progressive rates from 5% to 20%. The first NIS 40,000 is taxed at 5%, the next NIS 40,000 at 10%, the third NIS 45,000 at 15% and the remainder at 20%.

**Other taxes on individuals:**

Real property tax – Tax on property is levied at a rate of 17% of the assessed value of rental income; 60% of the property tax is set off against income tax liability and 40% is deducted as an expense in computing taxable income.

**Administration and compliance:**

Tax year – Calendar year

Filing and payment – Tax on employment income is withheld by the employer and remitted to the tax authorities. Self-employed individuals and employed individuals with income from other sources must file a self-assessment return within four months of the end of the tax year.

Penalties – Penalties are imposed for a late payment of tax.

**Value added tax:**

Taxable transactions – VAT is levied on the sale of goods and the provision of services, and on imports.

Rates – The standard VAT rate is 16%. Certain transactions are zero-rated or exempt. For financial institutions, VAT is levied at a rate of 16% on gross salaries and on taxable income. VAT paid on salaries is not deductible in the computation of VAT on taxable income. VAT paid on salaries and on taxable income is deductible for income tax purposes.

Registration – All entities and individuals must register for VAT purposes; there is no minimum threshold.

Filing and payment – A VAT return generally must be filed on a monthly basis or other basis as required.

**VAT Refunds**

Large companies are authorized to collect the VAT with their sales and deduct an equal amount from the VAT remitted to the government for their purchases. Small companies on the other hand, are authorized to collect the VAT and deduct an equal amount from the VAT to be paid on purchases from large companies.

All VAT paid for business start-up costs will be refunded within one to six months of submission of the receipts. If there are no sales transactions during the month, the business is
not required to remit the VAT. All refunds can be in the form of either cash or credits. There also is no VAT on exports.

**VAT Exemptions**

Exemptions from VAT are given to projects supported by the Palestinian Government such as investments in financial institutions, preschool education, research and development projects, transportation projects, infrastructure projects, and food processing projects.

**Other Taxes**

Capital Gains Tax: Businesses and companies are assessed for capital gains tax, as are individuals.

Tax for Service Contracts: Income generated or earned from contracts entered into for the provision of services is taxable based on the corporate or individual income tax law.

Dividends, Leases and Royalties: Dividends paid out of profit are taxable. Dividends paid after redistribution of capital are exempt. Royalties are not exempt. Lease payments are not exempt. Retained profits are exempt only if reinvested.

Purchase Tax: Purchase taxes are payable by manufacturers or importers at the port of entry on certain consumer products specified by law. Products that are manufactured for export are exempt from the purchase tax. Purchase tax is imposed at a rate of 5% to 95% depending on set rates and the type of good.

Gift and Inheritance Tax: There are no taxes paid on gifts or inheritance in Palestine.

**International Agreements**

Even since its inception in 1995, the Palestinian Government has worked towards increasing the potential for external trade of Palestine through a series of trade agreements, which provide for preferential trade and market entry of Palestinian goods and services into external markets. These agreements range from a quasi-customs union with Israel, to free trade agreements with the European Union, EFTA, USA Canada and the Arab Free Trade Area, among others.

The following is a breakdown of these agreements and the benefits they bestow on the Palestinian economy and business community:

**Customs Union**

**Economic Agreement with Israel (Paris Protocol)**

Paris protocol is an economic agreement on relations between the government of the state of Israel and the Palestinian Liberation Organization (PLO), signed on April 9, 1994 in Paris. This agreement somehow resembles a customs union or as known later as a joint customs envelope built on three basic principles:
Free exchange of goods between both parties with no tariff or non-tariff barriers what so ever.

Adoption of a unified tariff by both parties with the exception that the Palestinian Government has the right of customs determination on a limited list of strategic goods (A1+A2+B) and has the right to determine specifications for lists (A1+A2).

Sharing revenues in customs clearance, where the Israeli customs are responsible for clearing the Palestinian imports on behalf of Palestinian customs (based on the customs envelop ) and then transfer the revenues to the Palestinian Government.

Most imports and exports to and from the Palestinian market and foreign markets is executed through Israeli ports where Israel is in full control over trade movement in addition to the Israeli control over internal Palestinian trade. Additional advantage Paris Protocol provided is possibility for the PA to sign free trade agreements and diversification of Palestinian trade.

It should be noted that Paris Protocol, when it was first envisaged, was built on reciprocity between the Israelis and the Palestinians. It is obvious that this spirit of Paris Protocol no longer exists simply because it is not functioning as agreed. Thus, there is an urgent need to figure out a new formula that best serves the interests of the Palestinians where reciprocity is the fundamental basis.

Free Trade Agreements and Arrangements

The Interim Association Agreement (IAA) with the European Union

This agreement was signed in 17/2/1997 between the Palestine Liberation Organization (PLO) and the European Commission to the benefit of the Palestinian Government, this agreement came as an outcome of the Barcelona Process which was launched by Euro-Mediterranean of Foreign Ministers in November 1995, formed an innovative alliance based on the principles of joint ownership, dialogue and cooperation. It brings together Members of the European Union and 12 Southern Mediterranean states. This agreement is an interim association agreement aimed at providing duty free access of Palestinian industrial goods and some agricultural goods into the European Union, as well as European goods into the Palestinian market. This agreement is considered one of the most important agreements for the Palestinian economy because of the potentials it provides through Palestinian membership in the Euro-Mediterranean system of trade, and entry into the 28 member states of the European Union. This agreement includes cooperation agreements in the different economic, social and cultural sectors.

In January, 2012, an additional preferential treatment went into effect for Palestinian exports to the European Union. This addition is a declaration of “duty-free quota-free” entry of Palestinian agricultural products, processed foods and fisheries to the EU markets exempted from duties and quotas. This development opened up the door for a potential
increase in export of agricultural goods to the EU market if they meet the technical specifications and sanitary and phytosanitary requirements for the EU.

In addition, it is worth noting that during the 9th Union for the Euro Mediterranean Trade Ministerial Conference, Brussels, 11 November 2010, Ministers endorsed a package of measures to facilitate trade of Palestinian products with other Euro-Mediterranean partners on a bilateral and regional basis Palestinian trade in the Euro-Mediterranean region shall be facilitated in a comprehensive way, through removal of restrictions on access to markets and enhanced technical support. This should involve the implementation of a package of measures to facilitate trade of Palestinian products with other Euro-Mediterranean partners on a bilateral, regional and multilateral basis. The package constitutes three major measures:

- Facilitating access for Palestinian exports to Euro-Mediterranean markets
- Integration of the Palestinian economy in the multilateral trading system
- Strengthening the administrative capacity to enhance trade of Palestinian products to Euro-Mediterranean Markets

Any preferential free trade agreement needs rules of origin defining which products shall benefit from the preferences. Cumulating allows products that have obtained originating status in one partner country to be further processed or added to products originating in another participating country as if they had originated in that latter country.

In the context of the Pan-Euro-Med system, diagonal cumulation means that products which have obtained originating status in one of the 42 countries may be added to products originating in any other one of the 42 without losing their originating status within the Pan-Euro-Med zone. In Pan-Euro-Med zone, a possibility to cumulate origin diagonally is based on a "variable geometry" rule. It means that countries of the Pan-Euro-Med zone can only cumulate originating status of the goods if the free trade agreements including a Pan-Euro-Med origin protocol are applicable between them. Consequently, a country of the zone which is not linked by free trade agreements with the others is practically outside cumulation's benefits.

As noted earlier, for a system of diagonal cumulation to work, it requires that all partners have Free Trade Agreements with the Pan-European Rules of Origin amongst each other. In the case of the Aghadir Agreement, which targets the EU market, the adoption of the Pan-European Rules of Origin, as specified in the Palermo Protocol is a requirement for cumulation of origin targeting exports to the European Market.

In Brief diagonal cumulation will help surpass the complication in the EU rules of origin. For a system of diagonal cumulation to work, it requires that all partners have Free Trade Agreements with the Pan-European Rules of Origin amongst each other.

---

Further to the above mentioned trade agreement, Palestine is part of 2 important diagonal cumulation of origin arrangements, namely Palermo Protocol\textsuperscript{23} and Agadir Agreement \textsuperscript{24}.

**The Interim Agreement with the European Free Trade Association (EFTA)**

This agreement was signed between the EFTA States - Iceland, Liechtenstein, Norway, and Switzerland - and the Palestine Liberation Organization for the benefit of the Palestinian Government on November 30, 1998 and entered into force on July 1st, 1999. The agreement includes free trade in industrial products, while separate bilateral agreements were signed with regard to agriculture products, fish and marine products that has tariff quotas for imports from Palestine. Such agreements are part of the tools for the creation of the free trade zone.

**The Interim Association Agreement with Turkey**

The objective of this agreement is to increase and enhance economic cooperation and raising the standards of living of both parties, with a gradual phasing out of all the obstacles and restrictions on trade in goods, including agricultural products as well, in addition to the promotion of trade and cooperation between the parties in the markets of third countries.

The Parties, taking into account Turkey's obligations arising from the Customs Union with the European Union, as well as the partnership agreement, the euro - the Transitional Mediterranean trade and cooperation between the European Union and the Palestine Liberation Organization for the benefit of the Palestinian Government in the West Bank and Gaza Strip, shall gradually establish a free trade area on substantially all their trade between them in conformity with the provisions of this Agreement and in conformity with Article XXIV of the GATT 1994 and the other multilateral agreements annexed to the Agreement establishing the WTO.

**Greater Arab Free Trade Area (GAFTA)**

The Greater Arab Free Trade Area is a multilateral agreement which aims at full liberalization of trade in goods of Arab national origin during a specified time period of ten years, using the method of gradual reduction by 10% per annum on the taxes and customs duties of similar effect with the abolition of all customs barriers and other non-tariff barriers that restrict the flow of goods between the Arab States in this area. It was supposed to reach zero tariff 31/12/2007, then it was amended to be on 31/12/2004.

\textsuperscript{23} In March, 2009 Palestine has endorsed Palermo protocol which allows making use of the principle of diagonal cumulation of origin as per Palermo Protocol, which provides large potential for a number of industrial sectors of the parties to take advantage of the interpretation of this accumulation of origin and to support the increase in the volume of exports to all markets covered by Palermo Protocol, especially to EU markets in addition to Algeria, Morocco, Tunisia, and Egypt.

\textsuperscript{24} In 2009 the Palestinian cabinet took the decision to join Agadir agreement. In the 9th Union for the Mediterranean Trade Ministerial Conference, Palestine was accepted as a member of the Aghadir Agreement in 2011. which includes Morocco, Egypt, Jordan, and Tunisia. This agreement opens the door for Palestine to be part of the cumulation of origin with other members of this agreement, targeting export of products to the EU market. Moreover, it was declared that the EU and other EuroMed partners will Agadir Agreement implementation by the PA as needed. As stated in the Aghadir agreement “The Parties agree to apply the harmonized European preferential rules of origin in the mutual trade including all existing and further amendments thereto” “Protocol II in the agreement lays down the rules of origin and methods of administrative cooperation”.
Palestine is treated as a least developed country and began to apply the reductions of tariffs starting in 2005 by 16% for a period of five years and 20% in the last year.

Recently Palestinian Customs started to refund the value of customs duties paid by Palestinian importers for goods subject to customs exemption under this Agreement, as an obligation of the membership of Palestine in the Arab Free Trade Area.

Palestinian membership in the Arab Free Trade Area which pertains to the reduction of duties on entry of products into Arab member states is down to zero. 18 Arab countries are members in GAFTA (Jordan, Morocco, Kuwait, United Arab Emirates, Bahrain, Saudi Arabia, Oman, Qatar, Syria, Lebanon, Iraq, Egypt, Palestine, Tunisia, Libya, Sudan, Yemen and Algeria).

GAFTA is one of the most important economic achievements in the area of Arab common work. It contributes to efforts towards establishing the Arab Common Market. As of January 1st, 2005, the agreement reached full trade liberalization of goods through the full exemption of customs duties and charges having equivalent effect between all Arab countries members of the GAFTA.

It is worth noting that Palestinian trade with Jordan is governed by the terms of the preferential trade agreement, signed between the two sides in 1995. The agreement establishes a framework for cooperation in the areas of trade, investment and transportation with a view to setting the stage for signing a bilateral free trade agreement in the future. The PA and Jordan took further steps to facilitate trade in early 2000, when they signed a transport agreement for facilitating the movement of goods across main borders. The agreement exempts Palestinian and Jordanian trucks from administrative fees, and adopts (in principle) the “door to door” system for governing overland transport. The two sides also signed a customs cooperation agreement in 2001, which calls for the exchange of administrative and technical expertise, the rationalization and harmonization of customs procedures, in addition to curbing fraud and smuggling. The PA also signed a preferential trade agreement with Egypt in 1998 mainly aimed at allowing greater access of imports from Egypt to the Palestinian territory. According to this accord, the two sides committed themselves to coordinate national customs procedures, including the exchange of customs information and technical expertise, in addition to facilitating transit operations.  

**Free Trade Agreements and Arrangements: USA and Canada**

Another type of free trade arrangements are the ones reached with the US and Canada as an extension of their free trade agreements with Israel. The U.S. arrangements were a two way unilateral declaration of duty free and quota free entry of products of both sides into the other’s market simultaneously signed by the parties in 1996.

---

25 Transit Trade and Maritime Transport Facilitation for the Rehabilitation and Development of the Palestinian Economy, UNCTAD, 2004

26 The unilateral declaration by the U.S. President (Clinton) fully extends all of the benefits of the U.S. – Israel Free Trade Area [http://tcc.export.gov/Trade_Agreements/All_Trade_Agreements/exp_005439.asp](http://tcc.export.gov/Trade_Agreements/All_Trade_Agreements/exp_005439.asp) to the Palestinian Territory (West Bank and Gaza Strip), including all Palestinian goods and agricultural exports to the U.S., including the abolition of quotas and duties on American and Palestinian textiles.
The other arrangements were The Canadian-Palestinian Framework on Economic Cooperation, which was signed by both sides as an agreement in 1999, and which relied on the Israel – Canada free trade area\(^{27}\). These agreements are considered extensions of the free trade agreements which they have with Israel, and which allow for the entry of products of both sides into the markets of the other side exempted from duties. These agreements potentially open the door for the Palestinian exporter into two very large markets.

### Free Trade Agreement with Mercosur

A Free trade agreement was signed in 2011 between Palestine and Mercosur, consistent with Article XXIV of the GATT 1994 and the Decision on Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries of 1979.

The objectives of this Agreement, as elaborated more specifically in its provisions are to: a) Eliminate barriers to trade in, and facilitate the movement of goods between the territories of the Parties; b) Promote conditions of fair competition in the free trade area; c) Increase substantially investment opportunities in the territories of the Parties, and increase cooperation in areas which are of mutual interest to the Parties; d) Create effective procedures for the implementation, application and compliance with this Agreement, and its joint administration; and e) Establish a framework for further bilateral and multilateral cooperation to expand and enhance the benefits of this Agreement.

Customs duty includes any duty and charge of any kind imposed in connection with the importation of a good, including any form of surtax or surcharge in connection with such importation, but does not include any:

---

\(^{27}\) According to the arrangement signed between the two parties, tariffs were eliminated on industrial products. For agricultural products and processed food, tariffs were reduced or eliminated in accordance with quotas. The Free Trade Arrangement between the PLO and Canada is available at the Ministry of Economy and Trade – General Directorate of International Relations.